

Inside the growth engine

A guide to China's regions, provinces and cities



This guide shows how local autonomy and inter-regional competition are helping to transform China's economy.

It gives comprehensive economic, financial and corporate data for 31 regions, provinces and municipalities and 21 big cities.

We forecast that six Chinese provinces will be as big as Russia, Spain or Canada by 2020.

By Zhang Zhiming

The emperor is far away

“The sky is high and the emperor is far away” is an old Chinese saying that refers to how much local officials can achieve themselves with little supervision from above. It is an adage that is very relevant to China’s dynamic expansion today as much of the country’s growth is being driven by local initiatives and developments, rather than by Beijing.

Chinese reforms have empowered local governments with unprecedented economic authority following a process of economic decentralisation that began in 1979. Indeed local officials in China’s provinces and cities have occasionally reduced the effectiveness of Beijing’s policies, as shown by the capital’s recent difficulties in cracking down on property speculation. This brings to mind a modern rendering of the old saying, namely that “there are policies above and counter-measures below.”

To try and capture the scale of this local dynamism, we have put together a 244 page guide, covering 31 provinces, municipalities and autonomous regions and 21 major cities. For each, we give key economic, financial and demographic data, list their strengths and challenges, and provide a five-year outlook.

This “bottom up” perspective on China, rather than the usual “top down” one, has thrown up some extraordinary statistics.

- ▶ By 2020, China will have six provinces with an annual GDP of more than USD1 trillion, equal to six countries the size of Russia (or Spain or Canada).
- ▶ With 47% of the population now living in cities, eight Chinese cities have a population of more than 10m, and 93 have more than 5m. By comparison, in the US only New York City has a population of more than 5m.
- ▶ Beijing, China’s Washington DC, is also China’s Silicon Valley. Its Zhongguancun area saw 23 high-tech IPOs in 2009, against just one for Silicon Valley. There have been another 35 IPOs so far in 2010.
- ▶ Kunshan, one of 2,000 county-level cities, produces more than half of the world’s notebook PCs, or 85m units – and yet IT manufacturing is not even its top-ranked industry.
- ▶ Suzhou, one of 280 prefecture-level cities, has a per capita GDP which is 70% and 46% higher than Beijing and Shanghai, respectively.
- ▶ Jiangsu, a province little known to outsiders, is poised to overtake the much better-known southern province of Guangdong to become China’s largest provincial economy as early as 2012.
- ▶ The 1.5m inhabitants of Erdos, a city rich in natural resources in the otherwise poor western part of the country, will have a higher GDP per capita than Hong Kong in three years time.

- ▶ Among the 1m villages – the lowest unit in the administrative chain – there are some extraordinary contrasts, for example, between the fiercely-capitalist Huaxi, where every ex-farmer is a millionaire, and the communist Nanjie, where collective interests still prevail over those of individuals.

What does it mean for China's future when local officials have widespread powers over land sales, infrastructure, commercial and residential property construction, natural resource exploration and foreign direct investment?

First, sizzling growth should continue for at least another five years. Local governments have managed to beat Beijing's growth targets by a few percentage points every year since 1980. Published data for the coming 12th Five-Year Plan from 2011 to 2015 show most provinces remain ambitious in their targets.

Second, these growth ambitions have increased inter-regional competition. Provinces have far more ambitious plans for the expansion of their rail networks and clean energy activities than those stipulated by national targets. In some cases, the local target is double the national one. One reason for this is that to get promoted in China, you have to outperform your peers.

The danger, however, is that over-investment leads to overcapacity. For example, Kunshan's strong position in IT is being challenged by the municipality of Chongqing. Together they could soon supply 80 per cent of the world's notebook PCs – raising concentration risks as well as oversupply concerns.

Third, overcapacity may lead to bad credits. For example, a recent report submitted by the China Academy of Science to the State Council raised concerns about unsustainable debt levels and the risk of loss-making activities. It noted that the 1,000km Wuhan to Guangzhou bullet train, which started operating earlier this year, was running at less than half its capacity and would never make enough money to pay off the loans used to finance it.

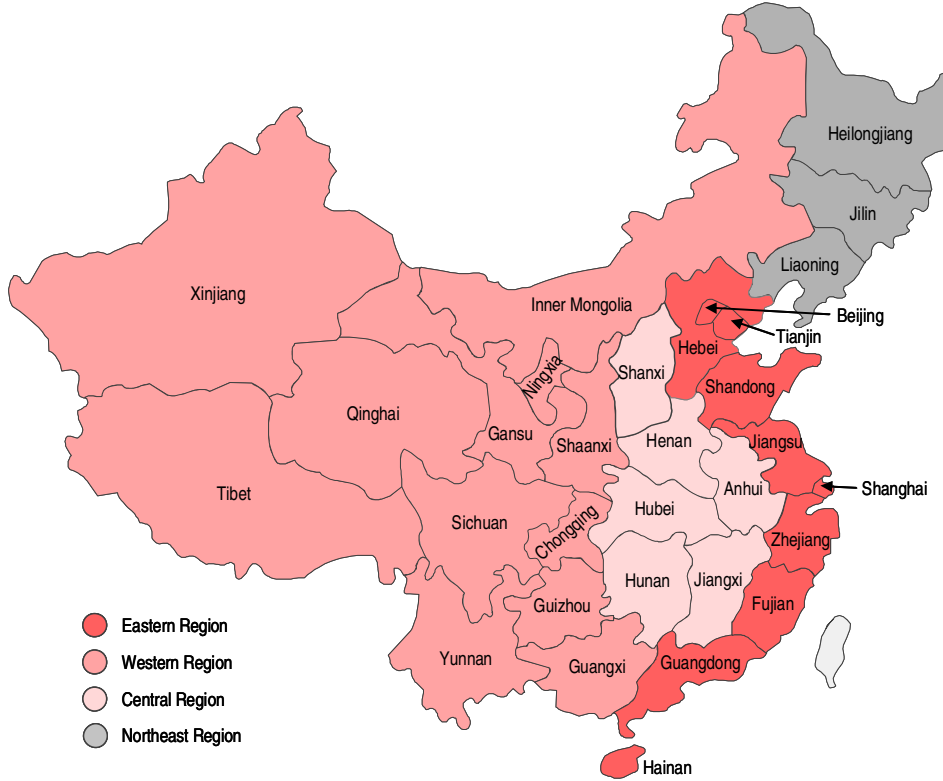
Fourth, policies at the centre risk being less effective if they are quietly resisted by local authorities. Beijing launched its fierce crackdown on property speculation in April – and yet eight months on, not only have prices barely moved downwards, volumes actually rose again in September and October. Not a single city has rolled out the much expected property tax. Vested interests have also blunted Beijing's repeated calls for consolidation in the country's iron and steel industry.

Fortunately, Beijing is increasingly aware of this challenge to its policy effectiveness. It consistently requires Beijing officials to gain in-depth local experience and promotes prominent local officials to national level. A large-scale campaign is underway, making local postings for promising new leaders mandatory.

Starting from the top, eight out of nine of the Politburo's Standing Committee (China's highest decision-making body) were Party secretaries for at least one province or municipality. Xi Jinping, the man widely seen as China's leader-in-waiting, is a good example. He has spent 31 years away from Beijing in various positions, which includes being Party secretary for two provinces and for one municipality.

What emerges from this guide is a more complex picture of China than even many experts have assumed. For anyone hoping to conclude a business deal in China it offers this message: don't assume you only have to deal with decision-makers in Beijing. You must also make sure local officials are on your side. Whether you are a China expert or a mere beginner, we hope you enjoy what follows.

China's regions and provinces



Source: HSBC

Major Chinese cities and other locations mentioned in this report



Source: HSBC

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Powered from below

Even though China has opened up extensively to the outside world in the last 30 years, for many observers it is as complex and intriguing as ever. By the same token, views on China's future, even among leading China experts, have become more diverse.

Some are awed by the startling way in which the country shrugged off the impact of the global financial crisis. Others question the sustainability of the growth-at-all-costs model and fear the experiment could end badly. Some applaud China's state-run capitalist model as a competitive or better alternative to laissez-faire capitalism. Others contend that what China has done is not much more than "the Japanese model on steroids". The optimistic predict that China is destined to replace the US by 2025 or earlier as the world's largest economy. Others argue that it's "on a treadmill to hell". The battle of words is on and it's loud.

Even David Pilling, the veteran Asia editor of the Financial Times, confesses to being baffled. In an October 2010 column, he wrote, "After a great deal of time spent travelling in China, reading about China and thinking deep thoughts about China, I have come to the conclusion that the most profound thing one can say about it is this: China is exceedingly big." After apologising for this "awfully trite observation" he went on to explain, "China's sheer size helps to explain much about the country, from its impact on global commodity markets to the fact that one of the world's poorest countries is now routinely mentioned in the same breath as the (still) mighty US."

What is undeniable is that China, with a population of 1.3bn people, is big. As a result, most analysts, investors and business leaders still take a big picture view of the Middle Kingdom. They fail to dig down to China's economic realities at province, municipality and city level – yet this is where the real action is.

Our guide offers a "bottom up" perspective of China's growth engine. The focus is on China's provinces and cities, and the administrative hierarchy. Within a complex structure, officials at various local levels are vying with each other to produce the most stunning rates of economic development.

We highlight the strengths, challenges and the upcoming five-year plans of the 31 provinces, as well as details of economic activities, statistics and strategic plans down to the level of 21 major cities.

We also provide a glimpse of the economic dynamism of county-level cities (of which there are more than 2,000) and of China's top-ranked villages. These are the lowest level of local administrative unit, yet their ambitions and achievements may surprise all China watchers.

Reform empowers locals

A major theme of our report is that it is far too simplistic to see China as a centrally-planned economy, where local officials merely carry out orders from their bosses in Beijing. That is because Chinese reforms have empowered local governments with unprecedented economic authority over the last 30 years.

It all began in 1979. Before then, the central government essentially controlled local economic decision-making via a vast network of ministries, bureaux and committees.

But then came a massive programme of economic decentralisation and privatisation and everything changed. These days, local officials have widespread powers over land sales, infrastructure, commercial and residential property construction, special economic zones, natural resource exploration and foreign direct investment.

They are also involved in investments via local government-owned or sponsored investment vehicles that include a growing number of local government-owned venture capital funds (see examples in Appendix B), initial public offerings and mergers and acquisitions involving local state-owned enterprises or small and medium-sized enterprises.

In such a world it is not surprising that the old adage “the emperor is far away” springs to mind. The authority of the centre appears increasingly distant as the local authorities become more empowered by the country’s economic reform process.

Take Beijing’s latest property market crackdown, for example. Eight months after the capital announced a series of harsh measures to cool property speculation, prices in large cities have hardly budged and volumes surged again in September and October. To date, not one city has rolled out the property tax. It appears that local

government incentives and vested interests have so far been deaf to the “emperor’s” call.

Another example is the iron and steel industry. It is a pillar industry for many provinces and China’s total output exceeds that of the next 10 largest foreign countries combined. However, the average sales price for iron and steel is about a third to half of China’s comparable import price. That suggests that China’s 2,000-plus iron and steel companies are focusing on low-end manufacturing and that competition is fragmented, despite Beijing’s calls for industry consolidation.

China’s rare earth sector shares exactly the same problem. As the world’s largest and dominant exporter of rare earths, China should wield considerable pricing power. In reality, it has little authority over pricing (unlike Western peers in the iron ore industry) because smaller exporters across the country are under-cutting each other.

But local governments do not always resist calls from the centre. When the aims and incentives of the centre and the levels below are aligned, the “emperor’s” mission can be accomplished with superb efficiency and speed. China’s strong, V-shaped recovery after its RMB4.2trn stimulus programme and the RMB9.6trn in bank loans issued in 2009 (nearly a third of its GDP at that time) have been jointly propelled by Beijing and local governments at all levels.

Following the Party (跟党走)

Beijing has taken a keen interest in these developments.

Indeed, over the years, China’s top Party leaders have acted to ensure future leaders have a firm grip on developments at ground level.

Eight out of the nine current Politburo Standing Committee members (the country’s highest decision-making body) have in the past been Party

secretaries, the highest ranking local authority position, for at least one province or municipality. Of the 25 current Politburo members, 18 (or 72%) have been (or still are) Party secretary for at least one province or municipality.

Deep-rooted local experience, which usually means decade-long assignments across many provinces, has become a prerequisite for joining the top Party and State leadership.

Take the example of the top leaders for the coming 5th generation – XI Jinping (习近平) and LI Keqiang (李克強). Mr. Xi worked 31 years away from Beijing, holding Party secretary positions at various county and city levels. He was also the Party secretary for two provinces and one municipality. Mr. Li had 10 years experience as a Party secretary for two provinces. Both have since joined the highest decision-making body, the Politburo Standing Committee, in Beijing.

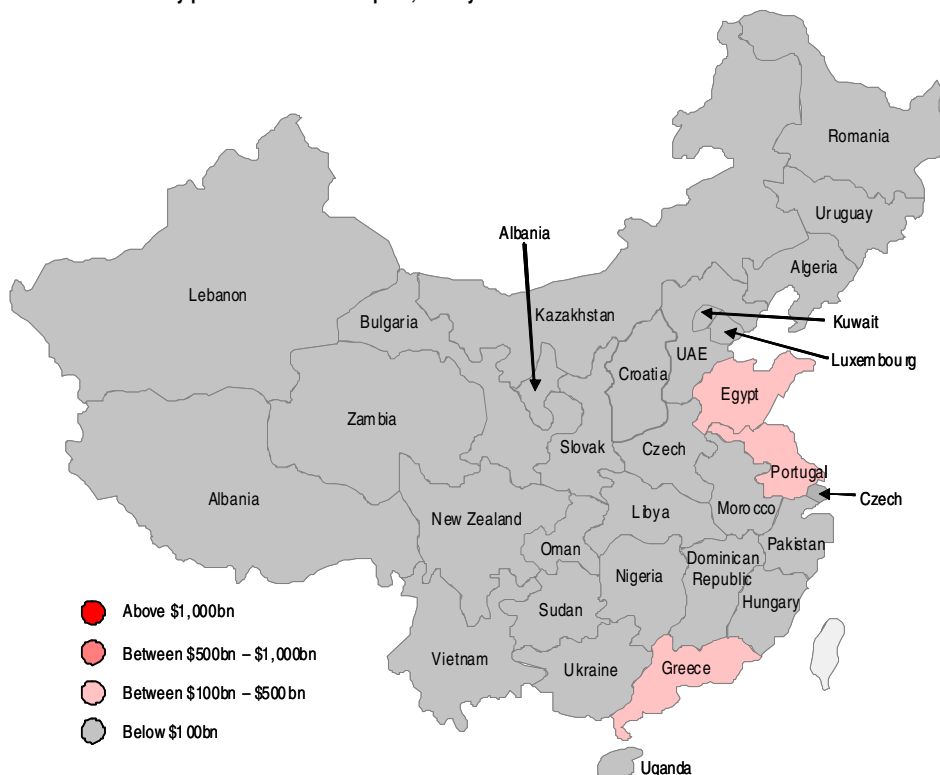
Meanwhile, in July 2010, the Party’s Central Organisation Department in Beijing sent instructions for 60 Director-General level officials (excluding their deputies), one notch below Deputy-Minister level, to be appointed as the deputy heads of cities in the country’s provinces. This is an experience now deemed necessary for further promotion. It sends a very clear signal that the top Party leadership cares deeply about local experience and knowledge.

Pictures worth a thousand words

How are the changes playing out in economic terms at province and municipality level?

We start by comparing the GDP of the provinces as it was 10 years ago with how it was in 2009 and we forecast how it might look in 10 years time.

Figure 1: China GDP in 2000 by provinces: a union of poor, mainly Third World countries



Source: HSBC, CEIC, IMF, CIA

Figs. 1 to 3 show maps of China's provinces and municipalities in 2000, 2009 and 2020 (projected) compared to countries with similar GDP in the respective years. The 2020 comparison is based on assumptions of 1) a 7% and 4% differential in nominal GDP growth rates between Mainland China and the developed world and developing countries, respectively, and 2) a 3% annual appreciation of the RMB against the USD over the coming decade. Both assumptions are quite conservative relative to current market forecasts and the trend over the last decade.

Six USD1trn provinces by 2020

- ▶ Ten years ago, after two decades of economic reform, China still largely resembled a union of African countries, or a collection of sub-developing nations, with only three provinces having an annual GDP above USD100bn. See Fig. 1.
- ▶ By 2009, GDP in the vast majority of provincial economies had risen to more than USD100bn. At this point, China looked more like a collection of diverse developing world countries, such as ASEAN countries, Turkey, Czech Republic, South Africa, and Egypt. See Fig. 2.
- ▶ By 2020, China will have six USD1 trillion economies, under our conservative assumptions. At this point, the country will look more like a collection of second-tier developed world and leading developing countries. See Fig. 3.

That's just a quick snapshot of GDP. More statistics that include fixed asset investment (FAI), income, consumption, property sales and prices, auto sales vs. expressway growth, industry production and electricity usage, foreign trade and foreign direct investment (FDI), energy efficiency etc. down to major city level are provided in later chapters.

Facts you may not know

Sifting through the data, one constantly encounters surprising and intriguing facts, and we highlight some of the more startling facts below.

Beijing is China's Silicon Valley

Beijing is considered China's Washington D.C., but few realise that it is also home to China's Silicon Valley. Its Zhongguancun (中关村) area has a heavy concentration of high-tech enterprises and entrepreneurs and is also the most popular spot for venture capital funds.

In many ways, it has already become Silicon Valley "squared". For example, in 2009, Zhongguancun had 23 high-tech IPOs whereas Silicon Valley had only one. So far this year, Zhongguancun has had another 35 IPOs.

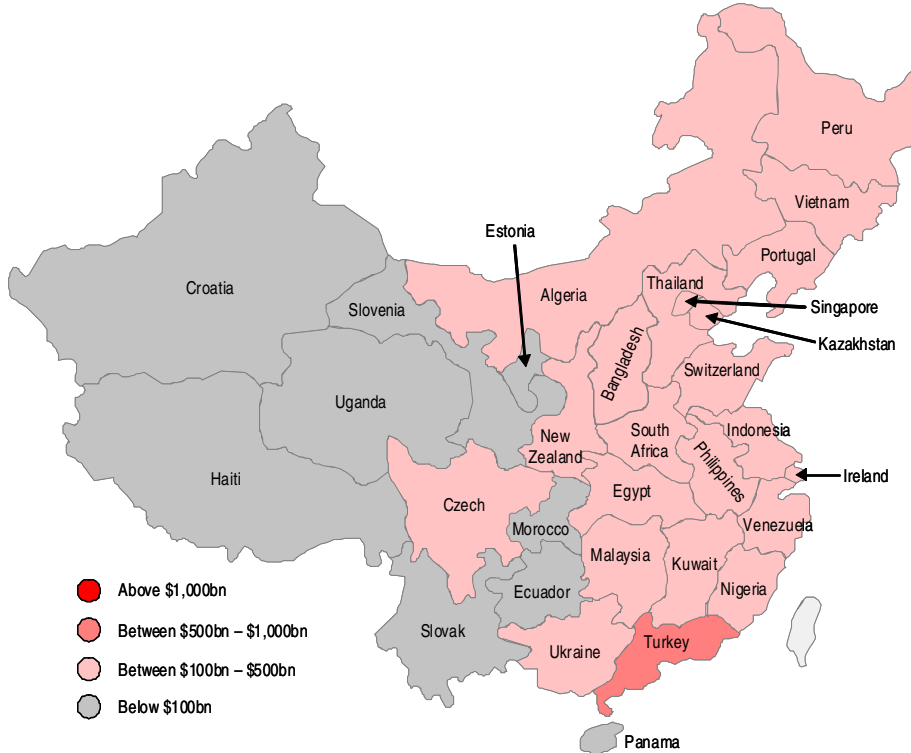
Zhongguancun is home to some of China's top IT companies, such as Legend Holdings, Founder Group and Tsinghua Holdings with the latter two founded in and named after Beijing University and Tsinghua University (China's leading universities), respectively. It is one of five or six national level high-tech zones, but there are hundreds of similar high tech zones at provincial and city level.

The richest city is in the poor northwest

China is well known for its rich coastal cities in the east and poor provinces in the west. Surprisingly, the city with the highest per capita GDP – set to surpass Hong Kong's on a per capita basis in about three years' time – is the city of Erdos (鄂尔多斯) in Inner Mongolia, the traditionally poor north-west. Its per capita GDP in 2009 had already reached RMB134,361 or more than USD20,000.

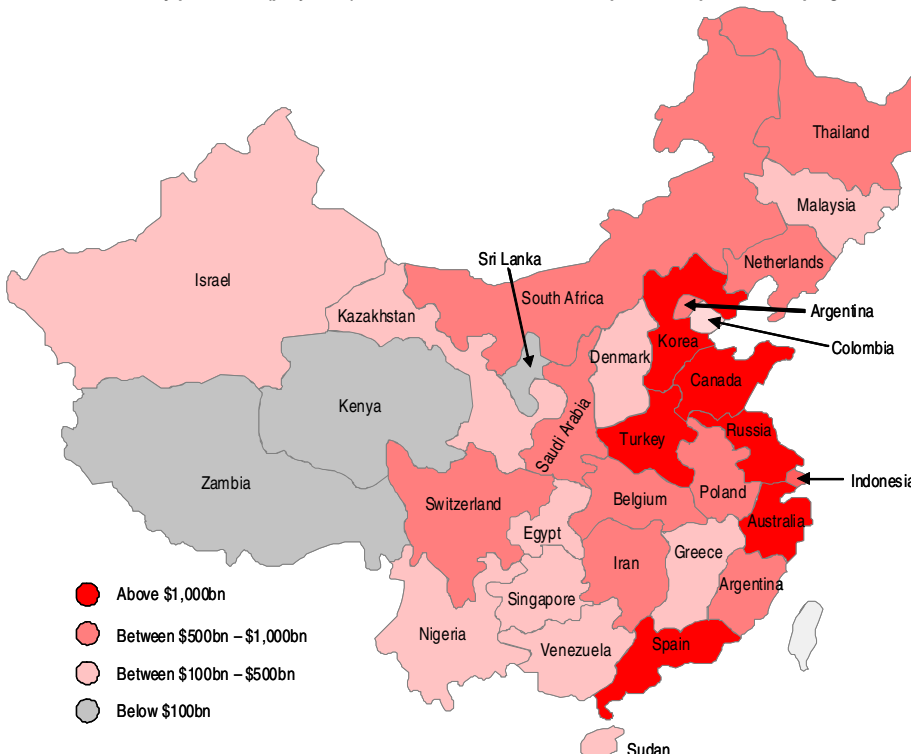
Erdos, with a population of 1.5m, has also become China's luxury car capital with more Rolls-Royce, Ferrari, Jaguar and Mercedes-Benz cars per capita than any other city in China.

Figure 2: China GDP in 2009 by provinces: a union of leading developing countries



Source: HSBC, CEIC, IMF, CIA

Figure 3: China GDP in 2020 by provinces (projected): a union of second-tier developed and top-tier developing countries



Source: HSBC, CEIC, IMF, CIA

This is thanks to its rich natural resources. Some 80% of its 87,000 sq km of land contains coal and 50% contains natural gas reserves. This means Erdos has the vast majority of Inner Mongolia's 298bn tonnes of proven coal reserves (according to the National Mineral Reserves Report of 2007), or about one quarter of the world's total, according to an estimate by the Energy Information Administration. The latest local government figure is as high as 702bn tonnes. In November 2009, one of China's youngest and most promising political stars, HU Chunhua (胡春华), a top candidate to lead China's 6th-generation leadership in 10 years' time, was appointed Inner Mongolia's Party secretary to spearhead its local development. This can be seen as a sign that the region's economy will continue to develop rapidly in the years ahead.

There is a place where "Heaven on earth" means "Business is booming"

You could argue that Erdos is lucky because its fortune has been "endowed" rather than created. Excluding cities lucky enough to be sitting on a rich pile of natural resources, you might think Shanghai, Beijing or Shenzhen had the highest per capita value-added or GDP. But you would be wrong. That title goes to the city of Suzhou in Shanghai's neighbouring Jiangsu province.

Suzhou, with a population of 6.3m people, had per capita GDP of RMB106,863 in 2008 (official data is only available to 2008), by far the highest among China's large cities. This is 70% and 46% higher than Beijing and Shanghai, respectively. Suzhou has 27 listed companies, more than any of China's other 280 prefecture-level cities

Suzhou is best known to outside investors for its Singapore-designed Suzhou Industrial Park (苏州工业园区). The park, which delivered RMB112bn GDP in 2009 or a 15.1% y-o-y increase despite the financial crisis, is a remarkable achievement. The city also has

classical gardens and parks that have been dubbed "heaven on earth" by locals and tourists and these are now UNESCO World Heritage sites.

What is less well known is that the main drivers of this success are the highly efficient and pro-business county-level cities under the administrative authority of Suzhou. All five are ranked in the top 10 of China's 2,000 county-level cities and four are ranked in the top five.

For example, in the first three quarters of 2010 alone, Suzhou's top-ranked county-level city, Kunshan (昆山), exported USD23.4bn worth of notebook computers. In fact, one in every two notebook PCs in the world is manufactured there. This suggests Kunshan's annual output is already around 85m units, based on our estimate of worldwide supply of 171m for 2010. Kunshan focuses on relatively high-end manufacturing, unlike the better-known city of Dongguan in Guangdong province where the manufacturing base produces a wide range of goods.

Note that IT product manufacturing such as notebook PCs ranks only second in Kunshan's booming industry; machinery and equipment is its largest sector. Kunshan shows how much a county-level city can contribute to the economy of a prefecture-level city (in this case, Suzhou) and thereby to the country overall.

Suzhou's achievements have caught the attention of China's top leaders who are keen to replicate its success elsewhere. Among Suzhou's recent "exports" are its top officials. For example, China's current Minister of Commerce CHEN Deming (陈德铭), Party Secretary of Liaoning province WANG Min (王珉) and Party Secretary of Shenzhen WANG Rong (王荣) were all Party Secretaries of Suzhou at some point before rising to their current posts.

Less than a year after Wang Rong moved to Shenzhen, Suzhou is poised to become a larger

economy than Shenzhen for the first time. In the first nine months of the year, Suzhou's GDP of RMB679.8bn overtook Shenzhen's RMB672.2bn. Suzhou has a more broad-based economic growth model, while Shenzhen faces more difficult restructuring due to its high cost base, from wages to real estate, and its dependence on exports.

Rising star in the Yangtze River Delta

Suzhou's parent province of Jiangsu, situated in the Yangtze River Delta (YRD), also deserves special mention. It is a well-balanced economy, one of the three RMB3trn economies (Guangdong and Shandong are the other two) in China with large agricultural, industrial and service sectors. It is the only one of the larger provinces that is still growing faster than the national average rate in both real and nominal GDP terms. Jiangsu's GDP is set to reach RMB4trn or USD602bn in 2010, a 17.6% growth rate in nominal terms against its 2009 GDP of RMB3.4trn.

In fact, if the projected growth rate set out in China's 12th Five-Year Plan proves accurate, Jiangsu will overtake Guangdong to become China's largest provincial economy as early as 2012.

Jiangsu has many of the world's leading manufacturers and exporters of solar power equipment, chemicals, electronic equipment, textiles, materials and other machinery. No wonder it is China's most popular destination for FDI (USD25.3bn for 2009), a title it has held for four consecutive years.

Thriving private enterprise

Jiangsu had 59 companies with more than RMB10bn revenue in 2009, second only to Beijing Municipality with 98. But unlike Beijing, where the leading companies are state-owned monopolies in strategic industries such as banking and energy, companies in Jiangsu are mostly privately-owned. They cover a wide range of businesses with most headquartered in the cities

of Wuxi, Suzhou and Nanjing. Nearly 80% of the largest companies in Jiangsu are privately-owned.

The city of Jiangyin (江阴), a county-level city under the city of Wuxi in Jiangsu province, is home to nine of China's top 500 companies. Jiangyin is one of China's richest county-level cities with 2009 per capita GDP of RMB142,572 or USD21,472.

Although its administrative ranking is rather low, or 2-notches below province level, Jiangyin is not a small town by any means. It has a population of more than 1.2m (as of 2008) with a 2009 GDP of RMB171.3bn or USD25.8bn.

From Jiangsu to the country

Former Jiangsu Party Secretary LI Yuanchao (李源潮) led Nanjing, Jiangsu's capital, and the province for seven years during its most critical period of economic growth from 2001 to 2007. He then moved to Beijing to head the Party's Central Organization Department in 2007. Among other initiatives, Mr. Li is known for his role in China's talent drive which aims to recruit and retain 1,000 top professionals (千人计划) from around the world to hold senior positions in government, business, science, education and other areas. The "1,000 Top Talent Program" will be rolled out at national as well as local level as part of a key strategic plan to cement China's long-term success.

Jiangsu topped all other provinces and municipalities in total R&D spending in 2009. Mr Li has also pushed for more senior central government officials to take on temporary or long-term assignments at local government level, in order to feel the real pulse of the country's development.

Two villages, two systems

Nowhere are the contradictions and complexities of China more apparent than at village (村) level. Villages are the lowest-ranked administrative units in China, but they are much bigger entities than many Western observers might imagine. For example, a typical village in the West is usually a loosely organized community of a few hundred people, while its China counterpart is a well-defined administrative unit with a population ranging from a few hundred to tens of thousands.

Take the contrast between the villages of Huaxi and Nanjie.

Huaxi (华西村) is China's richest village. It is two notches down from the county-level city of Jiangyin in administrative ranking or four notches below its parent province of Jiangsu. See Fig.5 on page 16.

Every family in Huaxi has had a net worth of more than RMB1m since 2005. The village enterprise is a company listed on the Shenzhen Stock Exchange with a current market cap of more than RMB7.3bn or USD1.1bn. Many of the former village farmers are large shareholders of the village enterprise,

Jiansu Huaxicun Co Ltd (ticker 000936.SZ). The company runs a wide-range of businesses that include polyester chip manufacturing, commercial trading and electricity generation and sales.

For a place with just 30,000 inhabitants, Huaxi's ambitions seem extraordinary. In addition to its existing 328-meter building (ranked the world's 15th tallest in 2010, see Fig. 4), it is planning to build a new 128-storey, 638 meter skyscraper, which when completed will be the second tallest building in the world. Moreover, the village plans to have a fleet of 20 airplanes by 2015, a prime example of its continued ambition.

Huaxi shows the extent of the inroads that capitalism has made in China in the last 30 years. It is a place where "to be rich is glorious," to quote the late reformist leader, Deng Xiaoping. Western lifestyles are celebrated by ex-farmers who are proud to boast that they "breakfast at the Arc de Triomphe, lunch at the White House and dine on lobster in Australia" – these world-famous locations being the names of local restaurants!

Figure 4: Huaxi vs. Nanjie: China's model villages embody opposing ideologies, yet both are endorsed by Beijing's top leaders



Village of Huaxi (华西村) - Model village of capitalist pursuit where "to be rich is glorious". Every village ex-farmer is a millionaire, thanks to its A-share listing in 1999. 200 of the richest village residents put down RMB10mn each or RMB2bn to build the 328 meter tall tower, the world's 15th tallest and home to hundreds of families.

Village of Nanjie (南街村) - Model village of communism where the village mantra says: "want to develop, study the works of Mao; want to grow, follow the Party". Wealth sharing or preserving common interests takes precedence over individual pursuits.



Source: HSBC, Picture source: Village websites

Capitalism vs. communism

At the other end of the spectrum from Huaxi is the village of Nanjie (南街村) in Henan province in central China. Here communism is alive and well, and the works of Chairman Mao are still revered.

The village and its enterprise run on a long-forgotten salary plus supply or need system (instead of a cash bonus), where basic resources such as food, property, schools and healthcare are first allocated on a needs basis. Readers can learn more about Nanjie at <http://www.nanjiecun.cn/homepage.asp>.

Harking back to the old days is not a cynical exercise designed to boost tourism. It is part of a continued Chinese experiment to produce a more harmonious society that incorporates the principles of fairness.

Fig. 4 compares Huaxi and Nanjie. Both villages are frequently visited and endorsed by Beijing's top leadership¹. One might see the co-existence of the two village models as a sign of China's contradictions. Or one might take the view that they show China to be a nation that is confident enough to be open-minded and explorative.

1 I Guess who visited Nanjie, the communist model village? Former Premier Zhu Rongji and Executive Vice-Premier Li Keqiang are among the senior leaders who have paid tribute there.

How the system works

Local government hierarchy

In this section, we explain how China's local administrative system works, as set out in Fig. 5. The dotted lines define clear ranking order from province (省) down to prefecture (地), county (县), town (乡) and village (村). A government at a lower level of hierarchy reports strictly to the one above with province-level governments reporting directly to the State Council or the executive branch of Beijing's central government.

The ranking of a local government, and especially its top officials who often may rank slightly above the corresponding local government they run, has significant implications in terms of authority over resource allocation. The subtleties of this ranking system are usually ignored by or confusing to outsiders since it is not common practice elsewhere.

There are numerous ways to achieve a ranking upgrade. For example, being a member or Standing Committee member of the Party organization or deputy of the executive or legislative branches at a higher level of local government. The heads, or Party secretaries, of Shenzhen and Suzhou, for example, are members of the Party Standing Committee of their parent provinces, Guangdong and Jiangsu.

Urbanization and domestic consumption, the two main drivers of China's continued growth, are all about economic development at various city levels. Moreover, the inter-city competition that propels fast growth at the national level is closely associated with the administrative hierarchy of the cities. Given their importance, we take a moment to examine China's cities in more detail.

Figure 5: China's local government hierarchy by administrative ranking

Provincial-level: (省级)	Municipalities (4) (e.g. Beijing, Shanghai)	Provinces (22) (e.g. Guangdong, Jiangsu)	Autonomous Regions (5) (e.g. Inner Mongolia, Tibet)
	Sub-provincial cities (副省级市, 10 provincial capitals and 5 large cities) (e.g. Guangzhou, Shenzhen)		
Prefecture-level: (地级)	Other provincial capitals (其他省会, 17) (e.g. Hefei, Shijiazhuang)	Important cities (超大地级市, ~10) (e.g. Suzhou, Wuxi)	
	Other prefecture-level cities (一般地级市, 240+) (e.g. Erdos)		
County-level: (县级)	County-level cities (2,000+) (e.g. Jiangyin, Kunshan)		
Town-level: (乡级)	Town (40,000+)		
Village-level: (村级)	Villages (1,000,000+) (e.g. Huaxi, Nanjie)		

Note: Only red blocks are covered in this report. Source: HSBC

Municipalities

At the top level of the administrative structure are the four municipalities: Beijing, Shanghai, Tianjin and Chongqing. They share the same administrative ranking as the 22 provinces and 5 autonomous regions² (see Fig. 5).

A municipality typically has a high population density and higher proportion of urban population than a province, hence it has characteristics typical of an urban city. In fact, there is no distinction between “municipality” and “city” in the Chinese language as both share the same character “市”. There is a subtle distinction in terms of administrative power, in that a municipality shares the same ranking as a province, but since the late 1980s, coinciding with China’s urbanisation drive, the Party secretary of each municipality has usually been a Politburo member (the Party’s highest decision-making body), and that puts the municipalities slightly above the ranking of most other provinces.

A municipality has more financial clout than other types of city. For example, the cities of Shanghai (RMB1.3trn GDP) and Guangzhou (RMB900bn GDP) have roughly the same level of fiscal revenue, yet Shanghai has a third more disposable financial resources due to the favourable value-added tax distribution enjoyed by municipalities.

Chongqing’s economic development jumped to a much higher level only after it became a municipality in 1997. More cities are vying for municipality status, but Beijing seems in no hurry to grant any new ones soon.

Cities

There are several ways to rank cities – for example, by population or size of economy. However, the most important differentiating

factor in our view is administrative ranking. A city’s administrative ranking, even at a very low level of the hierarchy, is carefully set by the State Council, taking into account quantitative criteria such as population and size of the economy as well as strategic criteria.

Sub-provincial city: not necessarily a capital

A half notch below province is the sub-provincial city (副省级市) whose top four officials, the Party secretary, the mayor and the heads of the local National People’s Congress (NPC) and Chinese People’s Political Consultative Conference (CPPCC), are all ranked at deputy-ministerial (provincial) level. There are 15 sub-provincial cities, only 10 of which are provincial capitals, and that leaves the remaining 17 provincial capitals at a slightly lower ranking. Apparently, a combination of political, economic and strategic concerns determines the choice of sub-provincial cities.

Next, or less than a half-notch below, are the remaining 17 provincial capital cities plus about a dozen economically important cities, where at least one top official (e.g., the Party secretary) is ranked at deputy-ministerial level. Our major city list includes two of these cities, Suzhou and Wuxi, since both of them are among China’s 10 largest cities (including municipalities) by GDP.

These cities are followed by the ordinary prefecture-level cities (地级市) which number more than 240, excluding the cities ranked above.

County-level cities: real growth engines

At centre stage of China’s massive urbanisation drive are the more than 2,000 county-level or lowest-ranked cities that report to their respective prefecture-level cities. Unlike in the West where officials are elected and promoted by local constituents, local officials in China are promoted according to whether they outperform their peers in running their respective local economies, judged by measures such as the GDP growth rate.

² An autonomous region is a province-level region that typically has a high population of ethnic minorities, e.g., Tibet and Xinjiang.

Consequently, the race for faster growth amongst county-level cities and above has become a key driver of China's overall development for the last few decades.

First, large-scale fixed asset investment (FAI) or infrastructure build up, whose long-term sustainability is often in question, is usually determined at a higher level of government. In addition, the nation's large, monopolistic state-owned enterprises (SOEs) are usually beyond the control or influence of county-level cities. Therefore, successful county-level cities are forced to focus on nurturing private enterprises in addition to the rapid property construction that has provided easy but probably unsustainable gains.

Second, many county-level cities are not really small, measured either by population or GDP, thanks to rapid expansion in recent decades.

Kunshan and Jiangyin with their thriving private businesses have pushed their respective parent cities of Suzhou and Wuxi to China's top 10 city list, raising the status of the parent, Jiangsu province, and thereby the country. These are just two examples of a large number of cities whose growth in real productivity is providing the driving force behind provincial and country-level success.

Fig. 6 shows the top 10 county-level cities in China based on their overall competitiveness. Seven of the top 10 are in Jiangsu province with

five in the city of Suzhou and two in Wuxi.

These cities are still in rapid transition. For example, about half the city dwellers in Kunshan are migrant workers or professionals. Based on the registered population, Kunshan would have by far the highest per capita GDP of RMB253,256 or USD38,141 in 2009, higher than Hong Kong. We believe that the vitality of these cities will largely determine China's future competitiveness and the success of its urbanisation programme.

According to the China Securities Regulatory Commission (CSRC), China led the world in terms of number of IPOs in every month in 2010 except for October. Less known is the fact that private SMEs account for a large share of China's IPOs and many are from county-level cities. For example, the top-ranked Jiangyin and 10th-ranked Jinjiang each have 28 listed companies. Jinjiang will have at least two more IPOs by the end of 2010 and 10 more in 2011. The development in the IPO space, from large SOEs to small SMEs, from main board to SME markets and growth enterprise markets (GEMs), has completely changed the landscape and ranking of domestic investment banks and underwriters (see Appendix D). Some well-connected investments banks – the banking system's "emperors" – that used to dominate the IPO space are at risk of being edged out by small players which are closer to local businesses and entrepreneurs.

Figure 6: China's top 10 most competitive county-level cities in 2009

	GDP (RMBbn)	GDP per capita (RMB)	Population (k)	Parent city	Province
Jiangyin (江阴)	153	99,170	1,200	Wuxi	Jiangsu
Kunshan (昆山)	150	120,881	690	Suzhou	Jiangsu
Zhangjiagang (张家港)	125	105,156	898	Suzhou	Jiangsu
Changshu (常熟)	115	79,263	1,065	Suzhou	Jiangsu
Wujiang (吴江)	75	68,434	795	Suzhou	Jiangsu
Cixi (慈溪)	60	58,437	1,031	Ningbo	Zhejiang
Taicang (太仓)	53	79,449	466	Suzhou	Jiangsu
Shaoxing (绍兴)	61	85,368	715	Shaoxing	Zhejiang
Yixing (宜兴)	60	48,102	1,068	Wuxi	Jiangsu
Jinjiang (晋江)	70	43,813	1,050	Quanzhou	Fujian

Note: Both permanent and temporary residents are included in the calculation of GDP per capita, while the population in the table only includes number of permanent residents.
Source: China County-Level Economy Top 100, CEIC

Urbanisation and consumption

Continued urbanisation and domestic consumption are expected to be the key drivers of China's growth in the next few years. Both centre around city development. Fig 7 shows the size of China's cities and where they rank in the "pyramid".

Eight Chinese cities have a population of more than 10m, 93 are bigger than 5m and 177 larger than 3m. To put this in perspective, only one city in the US (New York City) has a population of more than 5m.

However, individual Chinese cities may still be too small to justify the size of ongoing and

Figure 7: City pyramid by population – 93 Chinese cities have a population larger than 5mn, and 177 cities above 3mn



Source: HSBC, CEIC

planned infrastructure projects, such as expressways, high-speed railways, light railways and subways. Larger scale cities in the former of mega-metropolitan areas are needed to achieve better economic and energy efficiency.

The four Deltas

Fig. 8 shows the 11 largest metropolitan zones under development where the size of each circle refers to the rough geographical reach of each metropolitan zone.

The four metropolitan areas coloured red, referred to as the four Deltas, have the highest strategic importance. They are the Yangtze River Delta centred around Shanghai, the Pearl River Delta centred around Guangdong, the Jing-Jin-Ji Delta (Beijing-Tianjin-Hebei) centred around Beijing and the West Delta centred around Chongqing.

The two largest and best known Deltas are the Yangtze River and Pearl River Delta. The Yangtze

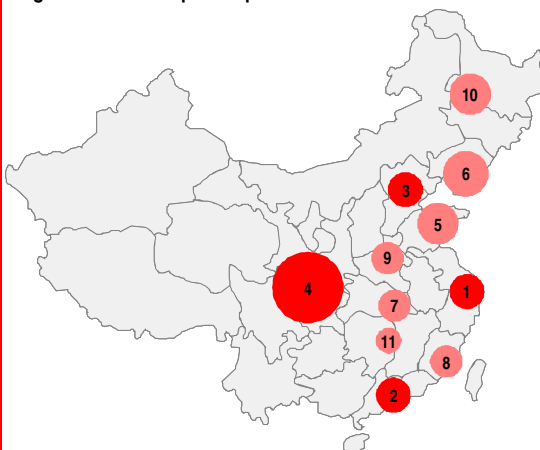
River Delta had RMB6trn 2009 GDP or 17.5% of the nation's total and RMB2trn in retail sales.

The Pearl River Delta is about half the Yangtze River Delta in economic size with about 10% of China's GDP (or RMB34trn) and RMB1trn in retail sales.

The West Delta or West Triangle (the three cities of Chongqing-Chengdu-Xi'an) is the least developed and fastest growing metropolitan area. It is representative of the current "race to bottom" growth model where less developed regions set more aggressive growth targets. Fig. 9 shows the West Triangle's GDP growth rates since 2005.

Strong growth is accompanied by surging FDI shown in Fig. 10, suggesting private capital is

Figure 8: China's top metropolitan zones

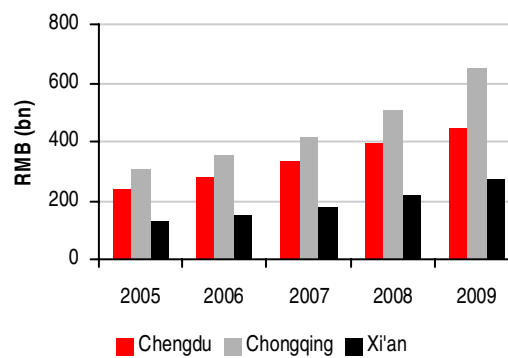


1. Yangtze River Delta 长三角
2. Pearl River Delta 珠三角
3. Jing-Jin-Ji Delta 京津冀
4. West Delta 西三角
5. Shandong Peninsula 山东半岛
6. Central-southern Liaoning 辽中南
7. Wuhan Urban Agglomeration 武汉城市群
8. West Strait Economic Zone: 海峡西岸城市群
9. Central Plains Urban Agglomeration 中原城市群
10. Harbin Urban Agglomeration 哈尔滨城市群
11. Changsha-Zhuzhou-Xiangtan 长株潭

* Size of circles is indicative of size of metro area.

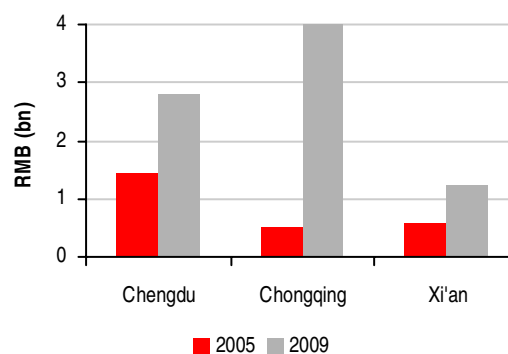
Source: HSBC

Figure 9: The three West Triangle cities have recorded in excess of 20% CAGR in nominal GDP growth since 2005



Source: CEIC

Figure 10: FDI in the West Triangle has jumped several times since 2005



Source: CEIC

joining the boom in the West Triangle above and beyond the build-up in infrastructure. The momentum is likely to continue as regional revitalisation is set to be one of the biggest investment themes in coming years.

While inter-city expressways have been fairly well developed over the last decade, inter-city high-speed railway, light railway and subway links have just started. Provinces and cities around the new metropolitan areas are betting on a continued surge in railway construction and connections as key drivers of economic growth in the years ahead.

Cities and consumption

China's domestic consumption as a share of GDP has been notoriously low (around 35% or about half the US ratio). It has been on a declining path over the last decade, despite rapid economic growth.

Some observers find it difficult to reconcile the fact that this is a Third World country with the fact that it is the fastest-growing consumer of the

world's leading retail and luxury brands. So where does the shopping power come from?

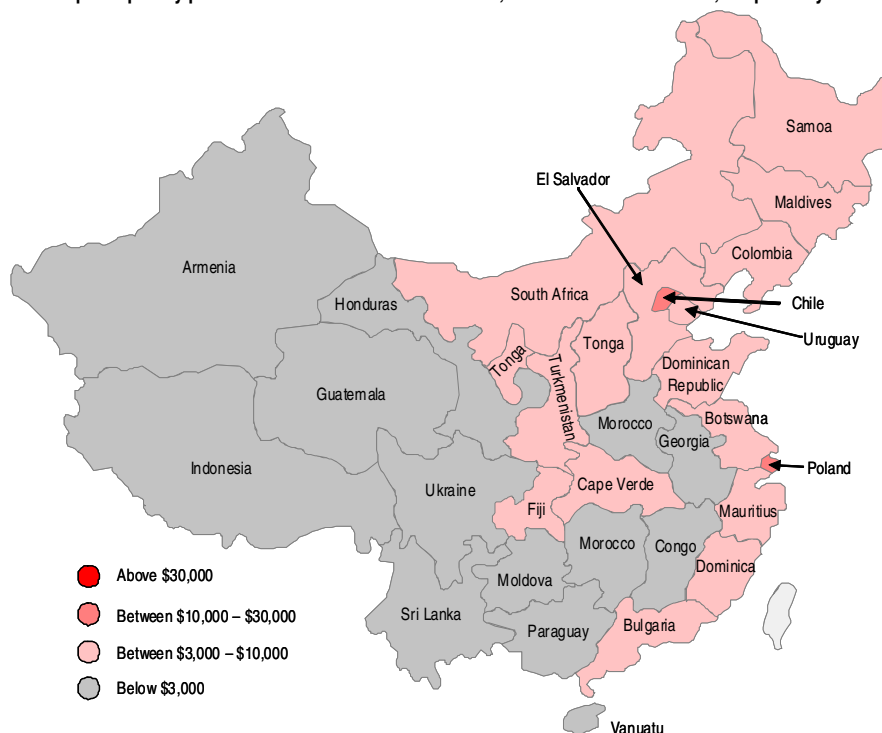
It's all about cities

The perception of China as a Third World country is largely derived from its low per capita GDP. Indeed, Fig. 11 shows China's per capita GDP at the province level in 2009 and how that compared to similar countries around the world. Despite its unprecedented economic growth over the past three decades, China ranks 99th in the world with per capita GDP of USD3,678, right behind Albania in 98th position.

As the colour of the map shows, nearly half the country, mainly the provinces in the West and inner part of China, still has GDP per capita of less than USD3,000. The rest of the country, apart from Beijing and Shanghai, is below USD10,000.

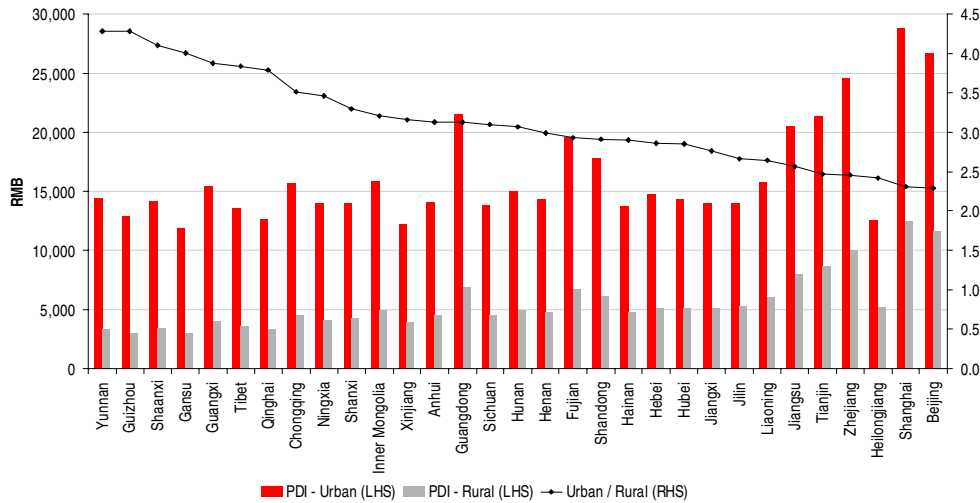
However, that is not the right way to assess China's purchasing power nor its potential.

Figure 11: 2009 GDP per capita by province: China ranks 99 in the world, still behind Albania at 98, despite 30 years of rapid growth



Source: HSBC, CEIC, IMF, CIA

Figure 12: It's all about cities – China's urban disposable income is about 3 times higher than that in rural areas



Source: HSBC, CEIC

First, it's all about cities when it comes to shopping. Fig. 12 shows that, on average, personal disposable income in urban areas is about 3 times higher than in rural areas. In addition, given the fact that almost 47 per cent of the population live in cities, any average figure should separate urban from rural purchasing power in order to get a more accurate picture.

True, shopping is all about cities, especially large cities where shops, including high-end ones, are often packed. However, some will argue that even in the cities known to be China's biggest shopping centres, such as Shanghai, per capita retail consumption accounts for less than half of per

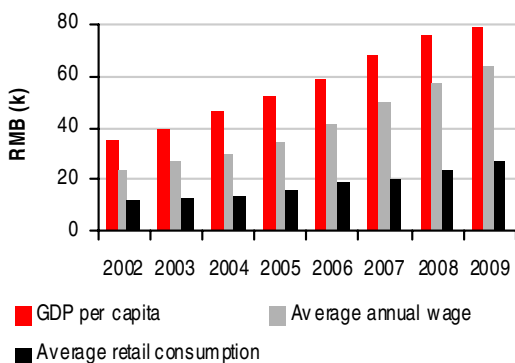
capita wages or GDP, as shown in Fig. 13. So what's missing from this picture?

The Starbucks phenomenon

The target clients for many of the Starbucks outlets in China are high-income earners or professionals. A cup of coffee that costs more than US\$4 is still deemed a luxury in China where the starting salary of a college graduate is about US\$400 pa, or 10% of their peers in the developed world. However, visitors can often find that China's Starbucks are frequented by students (including high school students).

What this suggests is that average income or income itself may be a misleading gauge of purchasing power, at least in today's China. Hidden income or more importantly, a wide wealth gap, may be the real reason. In our Starbucks example, income does not play as big a role as it does elsewhere: those who can afford it don't have to earn and those who earn may not be able to afford or choose to save instead. Youngsters from wealthy families wield high purchasing power without having a formal income. Meanwhile, the consumption power of many professionals, who would otherwise be typical middle-class consumers, is being marginalized due to expected

Figure 13: Shanghai retail sales vs. average wages and per capita GDP



Source: CEIC

high future expenditure on property, healthcare, retirement and their child's education – these families are forced to save what they earn. Rising inflation and inflation expectations are putting further pressure on wage earners to increase their discretionary savings.

The spending pyramid

So the problem is how to spot China's best shopping locations if neither average income nor population size alone is as helpful as it otherwise would be. Total end-spending is the best proxy, in our view.

Fig. 14 shows one of our city pyramids that ranks total retail consumption by city.

In the top tier are Beijing and Shanghai where annual retail spending totals more than RMB400bn. In the second tier – spending of more than RMB200bn – are four cities. These are the cities where visitors can find the presence of virtually all global and local brands in high-end as well as mass retail stores.

The third-tier group is the most interesting and potentially the fastest growing group. Each of these 20 cities had retail consumption of between RMB100bn and RMB200bn in 2009. For the 10 cities on the left-hand side, the most important factor has been higher per capita income, as opposed to population size. Hence, these cities could be targets for relatively high-end retail businesses. For the 10 cities on the right-hand side, total population is a bigger driver, and therefore these are better candidates for mass market retail sales.

Going where the businesses are

Another useful gauge of the prospects for future city consumption is to look at where the major businesses are headquartered. Apart from Beijing, the choice of headquarters is usually indicative of future growth prospects, in addition to near-term business and visitor spending.

Figure 14: City pyramid by retail consumption: decent retail sales, driven either by population or income

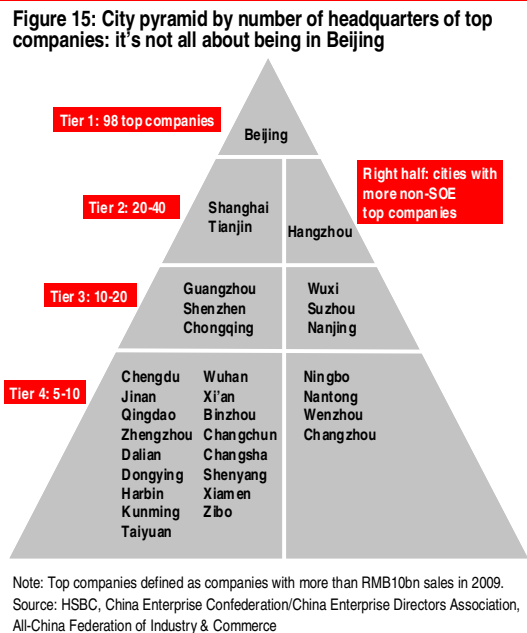


Source: HSBC, CEIC

Fig. 15 is another of our city pyramids that shows where the major companies (2009 sales above RMB10bn) are headquartered. We further divide the cities with a heavier concentration of large SOEs (on the left) compared with large privately-owned businesses (on the right). Each type has different shopping implications.

For example, with luxury purchases, it is well known that many purchases are made with gift vouchers. Such spending tends to be related more to state-owned business activities.

There is therefore a correlation between the number of SOE headquarters and the purchasing power of luxury brands. We hope readers will find this a useful way to track economic activity in China below national level.



The next five years

Sizzling growth to continue

Although Beijing and most local governments have yet to spell out the full details of their plans for 2011-2015 – China’s 12th Five-Year Plan – the ambitions being set out at local level suggest that the country’s sizzling growth will continue.

Current local target vs. historical record

Fig. 16 provides a list of GDP growth targets for the next five years as already disclosed by some provinces. The rates vary from a minimum of 8% for the largest provincial economy of Guangdong to mostly double-digit growth for its smaller peers. Guangdong probably faces the most challenging task of economic restructuring since it is by far the largest exporter in China with a more than 60% trade dependency ratio (or exports to GDP).

Fig. 17 shows China’s GDP growth rates since 1980 (the 6th Five-Year Plan) to the current 11th Five-Year Plan. Without exception, actual GDP

rates at the national level always ended up being a few percentage points higher than planned. Bear in mind that the majority of China’s provinces have managed to outperform national growth rates since 1980 as well.

Infrastructure and new energy

The sizzle is not just in the GDP growth rate. Fig. 18 compares the length of railway lines and installed capacity for clean energy under the national plan compared with the aggregate of local plans.

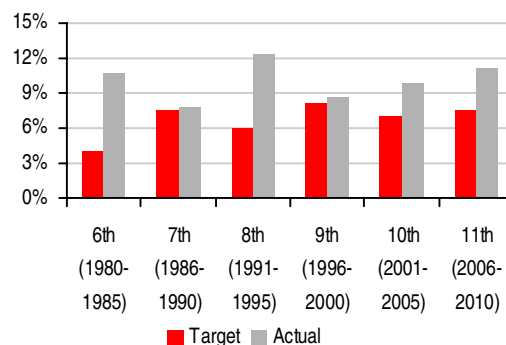
Local governments are planning to build railway networks by 2020 that in many cases are nearly double the size of the national target for 2020 that was set in 2008 by the State Council. For example, in the Xinjiang Autonomous region there are plans for a total railway network of 12,000km, three times the State Council target. The 2020 target of 16,000km for passenger-only railways is expected to be achieved by 2015 or earlier. Moreover, local governments are pushing for an expansion of the 120,000km overall railway target.

Figure 16: Announced target GDP growth rates for the 12th Five-Year Plan by province

Province	Planned annual growth
Liaoning	19% (nominal)
Guangxi	15% (nominal)
Anhui	15% (nominal)
Shanxi	15% (nominal)
Heilongjiang	15% (nominal)
Guizhou	13% - 18% (nominal)
Chongqing	12.5%
Sichuan	12%
Xinjiang	12%
Tibet	12%
Jiangsu	10%
Henan	10%
Gansu	10%
Hubei	10%
Guangdong	8%

Source: Local government reports

Figure 17: Target vs. actual GDP growth rate: China's past Five-Year Plans



Source: HSBC

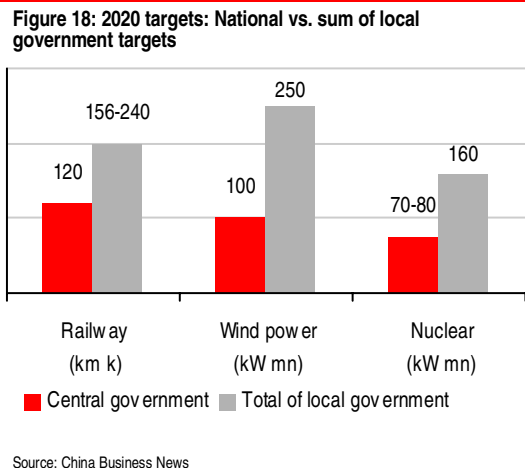
Target speed limits are also being lifted – from 200km per hour to 250km per hour for the majority of the railways. If achieved, it would mean that China had more trains travelling at 250km per hour than the rest of the world combined. Some mixed passenger and freight railways have been changed to passenger only in anticipation of a continued increase in passenger demand and a peak in freight demand, in keeping with the expected success of economic restructuring.

Note, many inter-provincial railway networks are still being planned, and have yet to be included in the overall railway figure. For example, the city of Xi'an's inter-provincial railway link to the cities of Wuhan, Chongqing and Chengdu has yet to be included in its parent Shaanxi province's five-year plan.

Red flag for potential excesses

The danger, of course, is that too much is built. Indeed, the potential for excess was raised as an issue in a recent report submitted by the China Academy of Science (CAS) to the State Council and has already caught Beijing's attention. The report highlighted concerns over unsustainable debt levels (railroad borrowing accounts for a sixth of China's total debt) and the risk of unprofitable operations.

For example, the 1,000km Wuhan to Guangzhou bullet train that opened earlier this year is operating at less than half its capacity and will never make enough money to repay the huge bank loans taken out to finance it, according to the CAS report. High prices are one reason for the poor demand but another problem is the lack of integration and connections between highways, subways, train stations and airports, which make it inconvenient for passengers, as local officials who caught the high-speed train fever tended to focus on the speed of the train.



Plans to build out clean energy – wind, nuclear and hydropower – also far exceed the target set by the central government. The government target is already very aggressive because Beijing wants to develop new strategic industries. Local governments are planning to install 250mn kW of wind power capacity and 160mn kW of nuclear power by 2020. This is more than double the respective targets of 100mn kW and 70-80mn kW set by the National Energy Bureau (see Fig. 18). The huge gap may force Beijing to raise its national targets.

Homogeneous competition

Overcapacity could be a problem in other areas, too. For example, the municipality of Chongqing is aiming to develop its Xiyong Electronics Park into one of the world's leading IT manufacturing bases with an annual capacity for 80-100m notebook PCs by 2015. If the city of Kunshan (in Suzhou, Jiangsu province) maintains its current market share – it produces about half the world's notebooks – by 2015 China will supply more than 80% of the world's notebook PCs. Such inter-regional competition raises the risk of overcapacity if demand fails to catch up. Equally, corporate buyers may become concerned about oversupply and concentration risks.

Another example comes from the foreign trade area. Chongqing aims to become an international trade centre despite its inland location. It will leverage its Chongqing-New Europe International Railway Transport Channel (渝新欧国际铁路联运大通道) that will link Chongqing to Germany. When completed this will halve the time needed to transport goods by sea, raising total trade volume from USD6.2bn in 2009 to USD100bn by 2012, according to the Chongqing government. The astronomical jump in Chongqing's target for international trade volume may at first appear unrealistic. However, considering the efficiency provided by the pending China-Europe railway link and the vast manufacturing facilities that Chongqing is building (including PC notebook capacity mentioned above plus more discussed in the Chongqing section on page 78), the target appears achievable.

Such local programmes may increase China's exports to new levels. However, this, in turn, could lead to increased trade tensions between China and its Western trade partners, especially the US.

The first stage of a long journey

We regard this research as the first stage of a long journey towards understanding China from the ground level up. We divide the 31 provinces, municipalities and autonomous regions into four regions, defined by government convention, according to stages of economic development and strategic importance as well as geographic location. We examine the basic facts, strengths, challenges and the five-year outlook for each of China's four regions, and provide key statistics for each of the 31 provinces. A cross-province statistical comparison is provided separately from page 167 to 176.

Summaries of 21 of the major cities with the largest locally-headquartered companies (including non-SOE and privately-owned) are provided from page 177, followed by cross-city statistics from page 225 to 229.

Finally, in our Appendices, we highlight our China Maps, which offer simple snapshots of different aspects of China's local economies in terms of how they compare with the rest of the world.

Our City Pyramids provide quick intelligence to readers to help navigate a vast number of large Chinese cities.

Our latest update on minimum wages across Chinese provinces provides a snapshot of rising labour costs, a trend that may have only just begun.

The summary of local government-sponsored venture capital funds on page 236 shows the impact of increasing local power in terms of nurturing local businesses. Meanwhile on page 237 a glimpse of the changing landscape in China's domestic IPO underwriting markets reveals that emerging capital-raising by small local enterprises has already started to upset the investment banking business of the big financial institutions at the centre.

We wish you an enlightening journey.

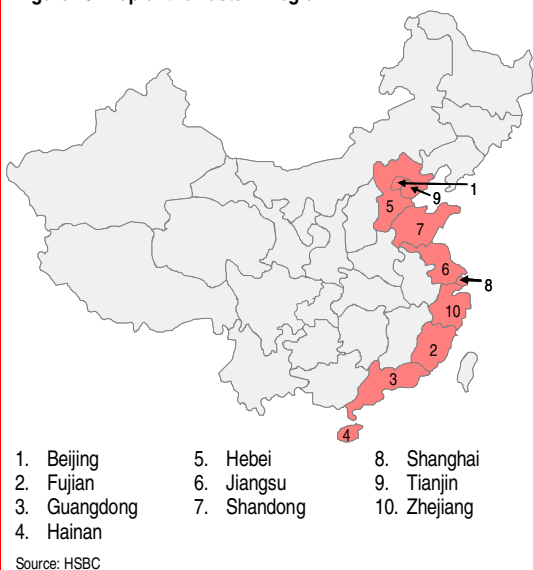
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Provinces

Eastern Region

- ▶ The Eastern Region includes China's top 3 municipalities and 7 provinces; 4 of them are the nation's largest
- ▶ Most developed area, accounting for 54% of national GDP, 60% of bank assets/loans, 70% of mortgages, 86% of imports and 89% of exports
- ▶ Home to 65% of the nation's securities companies, 82% of insurers and 95% of investment funds

Figure 19: Map of the Eastern Region



China's Eastern Region comprises the 7 rich coastal provinces (including the top 4 largest economies) and 3 municipalities. Thanks to its coastal connection to the world, this region was first to develop an open and trade-driven economy and grew to be China's wealthiest region. The region's economy is similar to the size of France, or RMB19trn GDP and 54% of the country's

total. Its population is about 1.5 times the US and its per capita GDP is similar to South Africa.

Dominant leader, especially in finance, trade and technology

The size of its economy actually understates its national importance. For example, on the financial side, the region accounts for more than 60% of total bank assets, deposits and loans outstanding and nearly 70% of China's mortgages. It is home to over 65% of securities companies, nearly 95% of investment funds and 82% of insurance companies. It accounts for nearly all of China's securities trading that includes stocks, futures and key commodities via the two largest Exchanges in Shanghai and Shenzhen (the latter in Guangdong province).

Trade is another area where the Eastern Region overwhelms the rest. It accounts for 89% of China's exports and 86% of imports. Nine out of 10 top provinces in trade volume are from this area. However, some inland regions, such as Chongqing municipality, are seeking to catch up on the international trade front by building railway links to Europe, which could halve

Eastern region summary

	2009	Ranking	Comparable country	Rank as a country
Population (mn)	484	1	US x 1.5	3
Area (sq km)	933,448	3	Nigeria	34
Density (per sq km)	519	1	Korea	10
GDP (RMBbn)	19,467	1	France	6
GDP per capita (RMB)	40,186	1	South Africa	74
GDP density (RMB per sqm)	21	1	Spain	27

Source: HSBC, CEIC, IMF, CIA

delivery time versus shipping by sea and enable them to take away some market share.

The region leads the country in all primary, secondary and tertiary sectors of the economy. It accounts for 61% of China's secondary sector, but more importantly, it has built very advanced high-end and high tech-focused manufacturing in transportation and electronics equipment, solar energy components and textile products that have significant global market share. A FAI to GDP ratio below 0.5 compares favourably to the 0.74 for the rest, also suggesting its more advanced stage of economic development.

The Eastern Region continues to widen its lead in exports, R&D expenditure, post-secondary education resources, income and personal consumption (it accounts for 53.6% of China's consumption with 36% of total population) and draws in migrants that push up its population growth despite the region's much lower birth rate than other areas. Virtually all headquarters of multinational firms are based in the Eastern Region, further widening its lead in talent concentration. Consequently, its average property prices saw a much larger jump in 2009 relative to elsewhere in China, widening the gap further.

The Eastern Region is home to many of China's world-leading, home-grown companies. For example, Huawei, ZTE and Legend in IT manufacturing; Alibaba, Baidu and Tencent in fast-growing online services; and giants in new energy industries, such as Suntech and BYD.

Growth headwinds and restructuring

However, the Eastern Region faces growth headwinds, partly attributable to its own success. Costs of labour and property have become much higher than in other regions, with some coastal cities being among the world's most expensive. Large scale migration of the manufacturing base is underway. For example, Foxconn, the world's largest handset manufacturer with nearly 1mn employees in China, is quietly cutting its employees in Shenzhen from 400,000 in June of 2010 to 100,000 in one or two years, while opening new plants in more inland places like Hunan and Chengdu. Labour costs may keep rising in the region due to changing demographics, policy support for wage hikes and slowing new migrant flows as some return home.

Although the region has China's best universities that produce a large number of its brightest graduates, they still lag behind leading universities in the developed world in terms of generating original research and turning that to practical use. As such, building up world-class high-tech industries, especially in the seven strategic industry areas highlighted by the 12th Five-Year Plan remains a big challenge for China's most developed region.

Beijing's policy shift toward supporting less developed regions is another challenge for the Eastern Region. Foreign capital flows seem to have responded already. The region's annual FDI share has dropped steadily, from 77% in 2005 to 68% in 2009.

Beijing (北京)

Size

Located at the heart of the northern region, Beijing has 18 million residents, 85% of which live in urban areas. It has an area the same size as Kuwait, the GDP of Singapore and the per capita GDP of Chile, yet its GDP per square meter already matches Switzerland's.

Strengths

Centre of gravity

Being the nation's political, cultural and educational centre as well as home to nearly 100 of China's Top 500 companies (mostly SOEs), Beijing is the place to go to seek policy direction or interpretation, regulatory approvals, consultation on development and relationship building.

Consumption base

Beijing has the highest share of tertiary GDP amongst the 31 provinces/municipalities. The size of the tertiary sector has reached RMB900bn, mostly contributed by retail consumption (RMB531bn), financial and IT services. Beijing has the highest average annual retail consumption in China, thanks to its second highest average wage and large spending by travellers. China Resources (华润集团), Gome Electrical Appliances Holding (国美电器), Wumart Group (物美控股集团) and Yanjing Beer Group (燕京啤酒集团) are some of the national brands in consumer products and services that built their brands from Beijing.

High-tech climate: Silicon Valley "Squared"

The primary sector has almost disappeared as Beijing is highly dependent on Hebei province and others for food supply. Yet its secondary sector is still substantial at RMB274bn GDP in 2009, mainly from high-tech manufacturing such as communication equipment, electronics and automobiles. In particular, after moving its iron & steel plant (Shougang Group/首钢总公司) to Hebei in 2008, Beijing became the second best provincial region in China in terms of fossil fuel energy efficiency. Backed by China's top academic and research institutions, Beijing's Zhongguancun (中关村) area is considered to be China's Silicon Valley, providing a high-tech friendly climate where entrepreneurs thrive. The area is also the most popular spot for many venture capital funds. Legend Holdings (联想控股), Founder Group (北大方正集团) and Tsinghua Holdings (清华控股) are China's top IT companies and the latter two were respectively founded in and named after Beijing University and Tsinghua University, two of China's leading universities.

In fact, Zhongguancun has already become Silicon Valley "Squared" in terms of high-tech IPOs. For example, in 2009, 23 high-tech companies based in Zhongguancun went public while Silicon Valley had only one IPO. Moreover, Zhongguancun has launched another 35 IPOs year-to-date and the trend looks likely to continue for years to come.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	18	26	Angola	58
Area (sq km)	16,411	29	Kuwait	148
Density (per sq km)	1,069	2	1/6 of HK	8
GDP (RMBbn)	1,187	13	Singapore	44
GDP per capita (RMB)	70,452	2	Chile	50
GDP density (RMB per sqm)	72	2	Switzerland	9

Source: CEIC, IMF, CIA, HSBC

Financial centre, Chinese-style

With all of the major regulators, especially the PBoC (People's Bank of China), CSRC (China Securities Regulatory Commission), CBRC (China Banking Regulatory Commission), CIRC (China Insurance Regulatory Commission), SAFE (State Administration of Foreign Exchanges) and SASAC ("State-owned Assets Supervision and Administration Commission") all in and near the Financial Street (金融街) area, Beijing will always be a key financial centre.

Challenges

Crowded metropolitan area

Beijing's urban population has been increasing at a CAGR of 2.7% over the last decade, more than four times the national average rate. With more moving in by the day to chase higher income, a better education or modern urban life, the population may have exceeded the capital's capacity. Consequently, Beijing already has the worst traffic congestion and highest real estate prices (city centre average price around RMB30,000 per sqm in 2009) amongst mainland cities.

Five-year outlook

Easing metropolitan congestion

Beijing aims to ease city congestion by reducing the concentration of government institutions and commercial activity in certain areas while containing population growth. Beijing plans to increase the supply of public rental housing from the current 1.3mn sqm to 6.6mn sqm, starting in 2011.

Mega-metropolitan capital

As a long-term solution, Beijing is planning to create a mega-metropolitan capital that integrates Beijing, Tianjin and Hebei province as an Economic Cooperation Zone similar to China's other three Deltas, i.e., the Yangtze River Delta, the Pearl River Delta and the newly emerging West Triangle (Chongqing, Chengdu and Xi'an). As Tianjin and Beijing are already linked by a bullet train, Beijing will expand its subway by 1,100km (a length similar to all the tracks in New York City) to cover the eastern and southern parts of Hebei province.

A total of 13 county level cities in Hebei will fall under Beijing's telephone area code, suggesting Beijing's administrative reach may expand in the next five years.



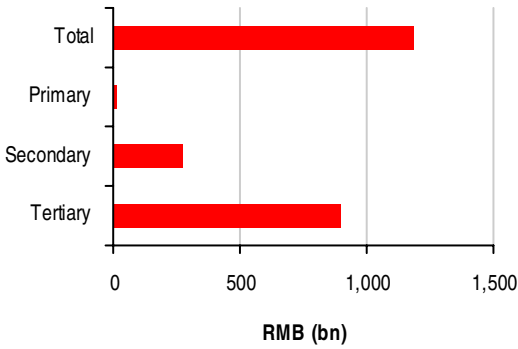
Top officials

Party Secretary: Liu Qi (刘淇)

Mayor: Guo Jinlong (郭金龙)

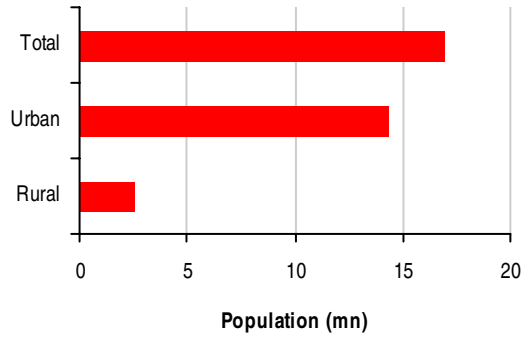
Key financial and demographic data

Annual gross domestic production 2009 - Beijing



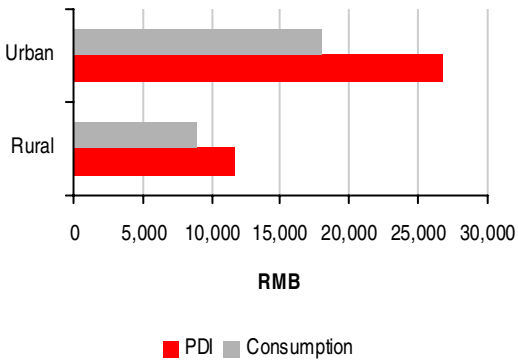
Source: CEIC

Urban and rural population 2009 - Beijing



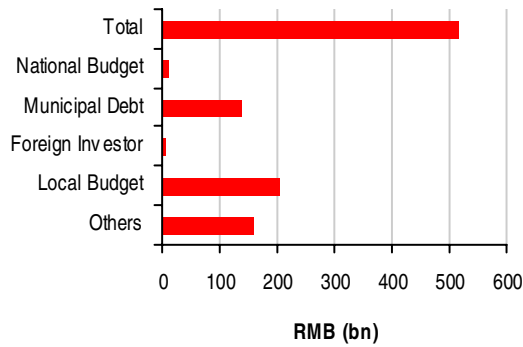
Source: CEIC

Personal disposable income and consumption 2009 - Beijing



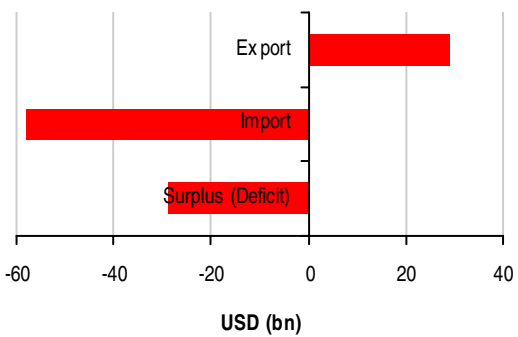
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Beijing



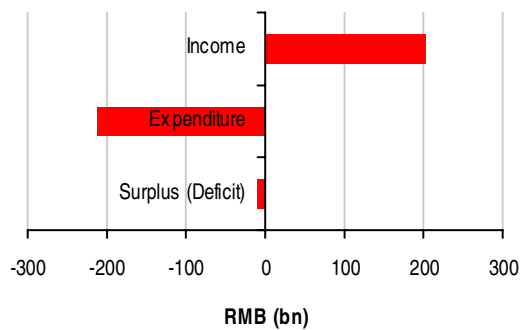
Source: National Bureau of Statistics of China

Foreign trade 2009 - Beijing



Source: CEIC

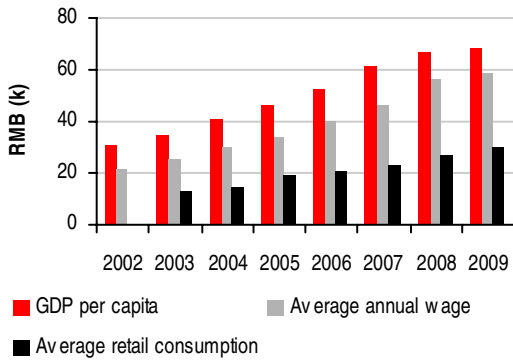
Government income and expenditure 2009 - Beijing



Source: CEIC

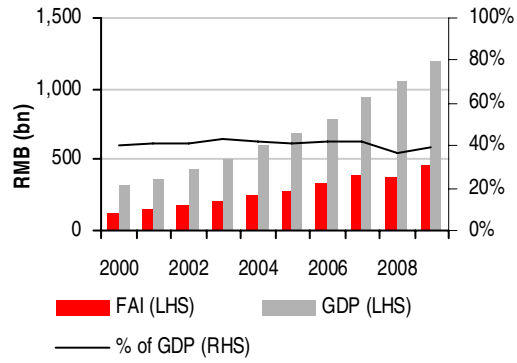
Key growth figures

Per capita income and consumption - Beijing



Note: average retail consumption is not available until 2003
Source: CEIC

Annual fixed asset investment - Beijing



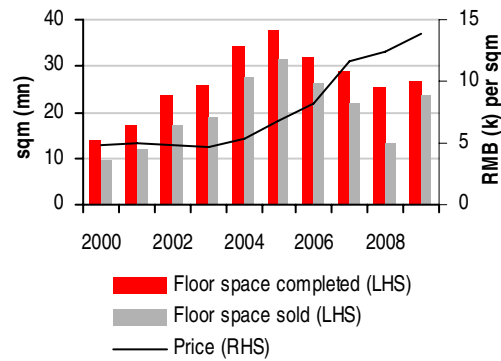
Source: CEIC, HSBC

Exports/imports - Beijing



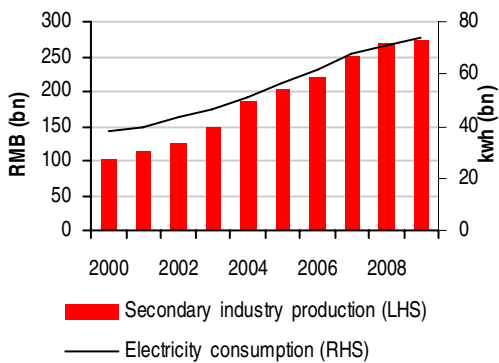
Source: CEIC

Commodity building volume and price - Beijing



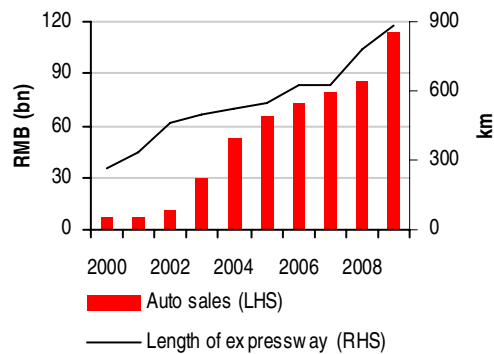
Source: CEIC

Secondary industry production and electricity usage - Beijing



Source: CEIC

Auto sales and expressway growth - Beijing



Source: CEIC

Fujian (福建)

Size

Located in the southeast of mainland China and alongside the Taiwan Strait, Fujian has the same area as Greece, is 63% covered by forests (the highest in the country), has a population of 36mn (similar to Kenya), the GDP of Nigeria and GDP per capita of RMB33,840, similar to Dominica. Fujian's total retail consumption (RMB448bn) is comparable to Beijing and Shanghai, or about half of the latter on a per capita basis.

Strengths

Cross-Strait entry point

As a point of entry between Taiwan and the mainland, Fujian's fortunes and importance have been tied to the changing cross-Strait relationship. Before the 80s, concerns about potential military conflict dominated and that raised Fujian's strategic importance in the country. Over the past 20 years, Fujian thrived as political tensions eased and as closer economic cooperation across the Strait brought in Taiwanese investment, boosting trade at the same time. During this period, companies like Xiamen C&D (厦门建发集团) and Xiamen ITG Group (厦门国贸集团) grew to join China's Top 500 list on the back of trade, investment and construction in the province's port city. However, growth has slowed during the last few years as direct links between other provinces and Taiwan reduced Fujian's role as a critical entry point.

Green province with natural beauty

Fujian has the biggest forest coverage in China with plenty of natural assets that have enabled it

to develop into a main tourist attraction.

Mountainous areas also provide some rich metal reserves. Although Fujian is not China's major mining hot spot, Zijin Mining Group (紫金矿业) is still one of China's largest mining companies.

Fujian has an even rural and urban population split, with rich agricultural output. Although Fujian has its own manufacturing base in machinery, electronics and petrochemicals contributing RMB157bn to its RMB1.2trn GDP in 2009, it is far less dependent on manufacturing than its rich peers, such as Guangdong and Zhejiang. There is still room for Fujian to expand its service sector, especially in tourism, revenue from which still grows at 18% pa. Already, Fujian ranks third, behind Guangdong and Beijing, in terms of energy efficiency.

Challenges

No longer a check point

Fujian enjoyed its unique role as the sole hub for all air and sea transportation between Taiwan and the mainland until a few years ago when direct links with the rest of the country were permitted. Already, the province has fallen behind Guangdong and Jiangsu in terms of attracting investment from Taiwan, and the trend may continue.

Meanwhile, Fujian remains dependent on FAI, which accounts for more than 50% of its latest GDP. For example, in 2009, Fujian extended the length of its railways and highways by 31% and 14%, respectively. It expanded its port handling and power generation capacity by 27% and 15%, respectively. A new growth model is needed as more traffic could pass through Fujian.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	36	18	Kenya	34
Area (sq km)	124,016	23	Greece	92
Density (per sq km)	292	14	Burundi	23
GDP (RMBbn)	1,195	12	Nigeria	44
GDP per capita (RMB)	33,840	10	Dominica	82
GDP density (RMB per sqm)	10	10	United States	42

Source: CEIC, IMF, CIA, HSBC

Five-year outlook

Accelerating industrial growth

Fujian believes its industrial sector still has a long way to go with room to nurture more enterprises with annual sales above RMB10bn.

The main targets of Fujian's 12th Five-Year Plan are in the industrial sector. For example, 40% of FAI must be in the industrial sector, growth in secondary industries must account for at least 55% of GDP growth, and 50 enterprises are to have annual sales of RMB10bn by 2015, with a few above RMB100bn. It also sets a target to raise R&D spending to the national average.

Major cities (by GDP)

Quanzhou (泉州), Fuzhou (福州, capital), Xiamen (厦门), Zhangzhou (漳州), Longyan (龙岩), Sanming (三明), Putian (莆田), Nanping (南平), Ningde (宁德)

Top officials

Party Secretary: Sun Chunlan (孙春兰)

Governor: Huang Xiaojing (黄小晶)

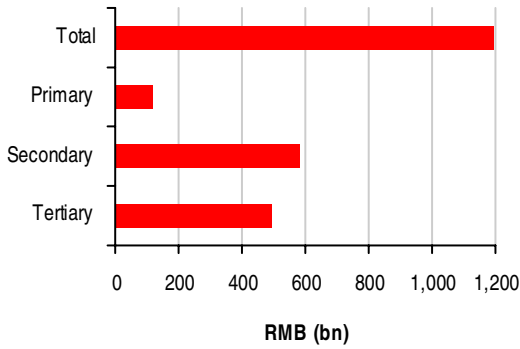
Map of Fujian



Source: HSBC

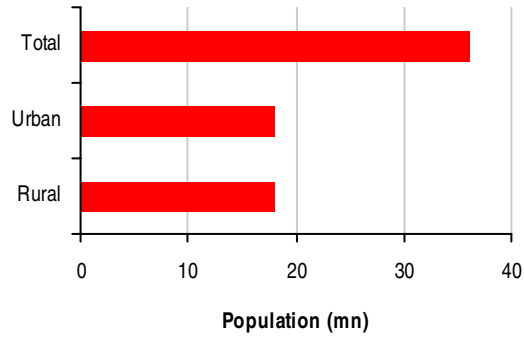
Key financial and demographic data

Annual gross domestic production 2009 - Fujian



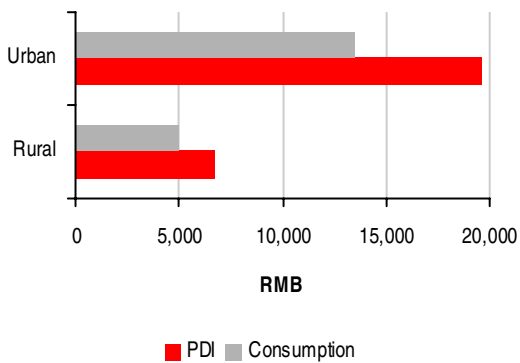
Source: CEIC

Urban and rural population 2009 - Fujian



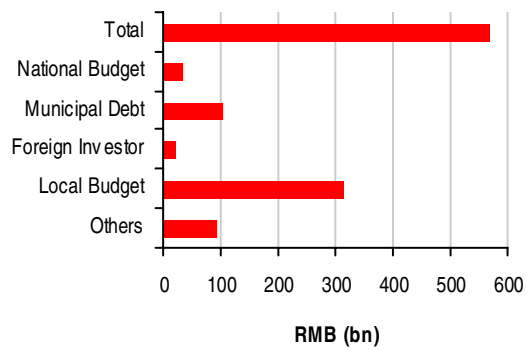
Source: CEIC

Personal disposable income and consumption 2009 - Fujian



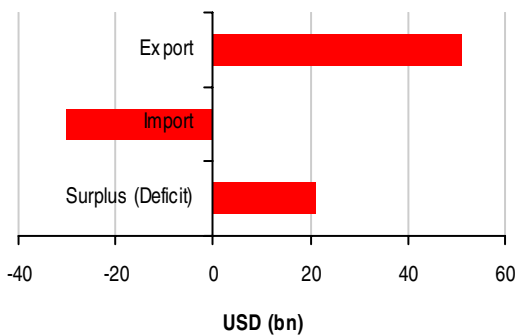
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Fujian



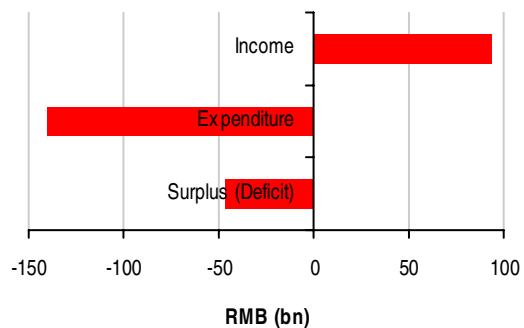
Source: National Bureau of Statistics of China

Foreign trade 2009 - Fujian



Source: CEIC

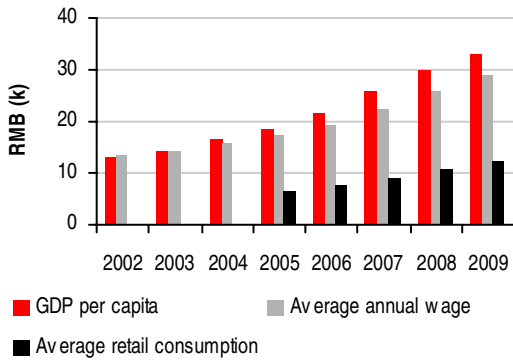
Government income and expenditure 2009 - Fujian



Source: CEIC

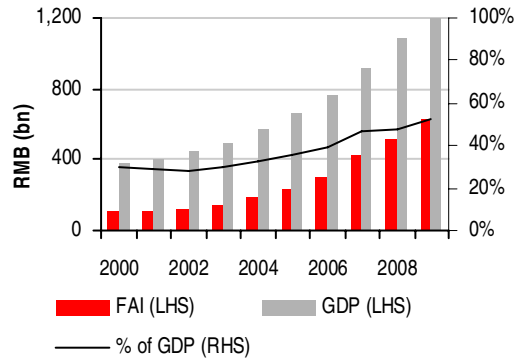
Key growth figures

Per capita income and consumption - Fujian



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Fujian



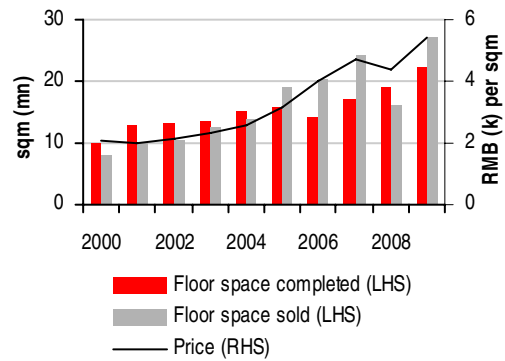
Source: CEIC, HSBC

Exports/imports - Fujian



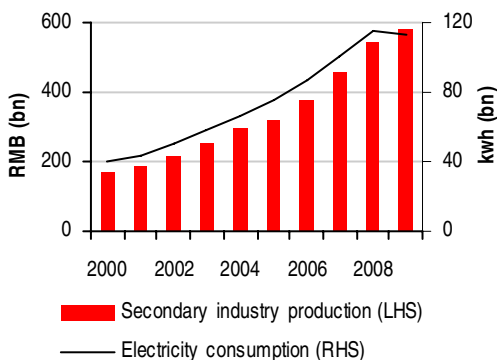
Source: CEIC

Commodity building volume and price - Fujian



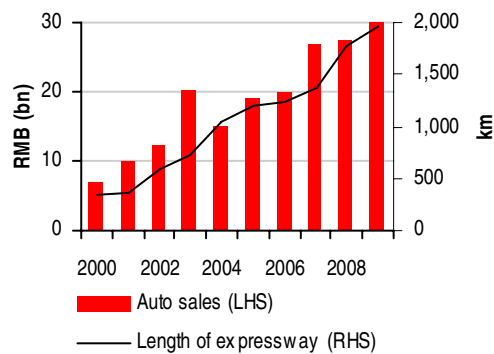
Source: CEIC

Secondary industry production and electricity usage - Fujian



Source: CEIC

Auto sales and expressway growth - Fujian



Source: CEIC

Guangdong (广东)

Size

Located in the southeast corner of mainland China, north of Hong Kong and Macau, Guangdong is the largest province in terms of population (96mn or equivalent to Mexico) and GDP (RMB3.9trn or equivalent to Turkey) and would rank 17th in the world if it were a country. It has the land area of Uruguay (180,000 sq km) and GDP per capita of Bulgaria (or South Africa).

Strengths

National leader in foreign trade

Guangdong is the largest exporter and importer in the country, with international business transactions worth USD632bn in 2009, more than a quarter of the country's total. The annual Canton Fair, hosted in Guangzhou, is the largest trade fair in China, attracting more than 150,000 visitors from around 200 countries and regions every year. Thanks to its proximity to Hong Kong, Macau and Taiwan, Guangdong is the largest counterparty for their trade with China. However, compared to 2000, Guangdong's share of China's total trade volume has dropped from 37% to 29%, losing ground to faster-growing Jiangsu, Zhejiang and Shandong provinces. Guangdong Foreign Trade Group (广东省广新外贸集团), Guangdong Silk-Tex Group (广东省丝绸纺织集团) and China International Marine Containers (中国国际海运集装箱) are the leading service providers for Guangdong's foreign trade sector.

Leader in growth quality

Compared to other wealthy provinces, Guangdong's GDP is least dependent on FAI, which only accounted for 33% of its 2009 GDP, much lower than the national average of 60%. The province led the country in moving to focus on technology upgrades and value-added industries and services.

Manufacturing hub attracts migrant workers

Traditionally, Guangdong is a major manufacturer of light industries such as textiles, food, beverages and toys. However, the major industries have now shifted to IT products and services, electronics, and machinery used in power generation and transportation. Many of them have become national and global leaders in their respective industries. Examples include China Southern Power Grid (中国南方电网, China's second largest electricity distributor), Huawei Technologies (华为技术, the world's No.2 telecommunications equipment provider), Ping An Insurance (中国平安保险, the third largest insurance company in China), China Merchants Bank (招商银行) and household names in home appliances such as Midea (美的), TCL and Gree (格力).

The surge in Guangdong's manufacturing capability attracted 30 million migrants from across the country to live in this province, providing abundant cheap labour since the early 80s that has underpinned the province's strength in manufacturing. However, the growth has tapered off as local costs rose faster than elsewhere in the country.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	96	1	Mexico	11
Area (sq km)	179,813	15	Uruguay	86
Density (per sq km)	536	7	Korea	10
GDP (RMBbn)	3,908	1	Turkey	17
GDP per capita (RMB)	41,166	6	Bulgaria	74
GDP density (RMB per sqm)	22	5	Lebanon	26

Source: CEIC, IMF, CIA, HSBC

Financial hub for growth enterprises

Guangdong has an active multi-tier capital market, the Shenzhen Stock Exchange that comprises the main board, SME board and ChiNext market with total market capitalisation of RMB5.6trn as at June 30, 2010. Although ranked second behind the Shanghai Stock Exchange, the Shenzhen Stock Exchange is best known as a national leader in funding growth enterprises, especially high-tech and SMEs. Household names and global leaders listed in Shenzhen include Wuliangye (五粮液), Vanke (万科) and Suning (苏宁).

Promising high-tech centre

In many ways, China's growth story over the last 30 years started from Shenzhen, the second largest city in Guangdong. The city has been at the forefront of China's technology development drive since the 1980s. Many of the world's high-tech leaders such as Huawei, Tencent (腾讯), which holds a monopoly in China's internet communication market and is a major content provider with the largest market cap among Chinese IT companies) and ZTE (中兴通讯) were founded here.

Challenges

Painful restructuring ahead

Guangdong's rapid economic growth over the last three decades has pushed up its cost base, including wages and land prices, far above the national average. Meanwhile, much of inland China still enjoys plenty of cheap labour and land supply that is increasingly causing the migration of manufacturing businesses away from rich coastal provinces such as Guangdong. This recent movement will only continue as China's supply of young workers starts to peak as the population ages. This has a negative impact on Guangdong's secondary industry near term, but is good for its services industry and could expedite Guangdong's transition toward high value-added industries.

Five-year outlook

Lower GDP targets

Guangdong will lower its growth targets for GDP and per capita GDP to minimums of 8% and 7%, respectively, to become less export-dependent and more service-oriented in the coming five years. This shows Guangdong's determination to restructure as the lower growth target may result in the loss of its status as the largest provincial economy to Jiangsu or others.

However, actual growth may still be higher than targeted, since the province has a GDP CAGR of 11.7% for the current Five-Year Plan, way ahead of its target of 9%.

Pearl River Delta ambitions

The "Reform and Development Plan for the Pearl River Delta" will be at the heart of Guangdong's next Five-Year Plan with its main targets being:

- ▶ Modern service industry to account for 62% of value added services;
- ▶ Per capita GDP to reach RMB80,000;
- ▶ Service industry to account for 53% of GDP from current 45%;
- ▶ 81% urbanization rate; and
- ▶ R&D to account for 2.5% of GDP



Major cities (by GDP)

Guangzhou (广州, capital), Shenzhen (深圳),
Foshan (佛山), Dongguan (东莞), Zhongshan (中
山), Huizhou (惠州), Jiangmen (江门), Maoming
(茂名), Zhanjiang (湛江), Zhuhai (珠海), Shantou
(汕头), Qingyuan (清远), Jieyang (揭阳),
Zhaoqing (肇庆), Shaoguan (韶关), Yangjiang
(阳江), Meizhou (梅州), Chaozhou (潮州),
Heyuan (河源), Shanwei (汕尾), Yunfu (云浮)

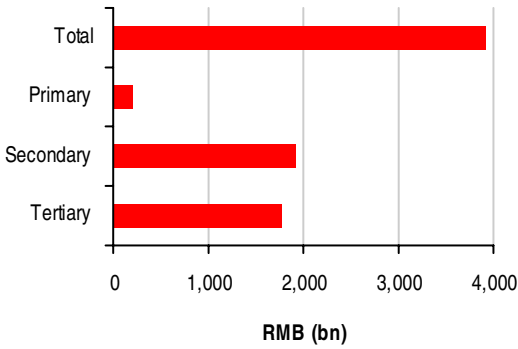
Top officials

Party Secretary: Wang Yang (汪洋)

Governor: Huang Huahua (黄华华)

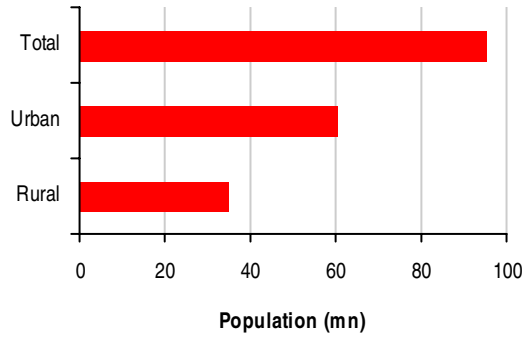
Key financial and demographic data

Annual gross domestic production 2009 - Guangdong



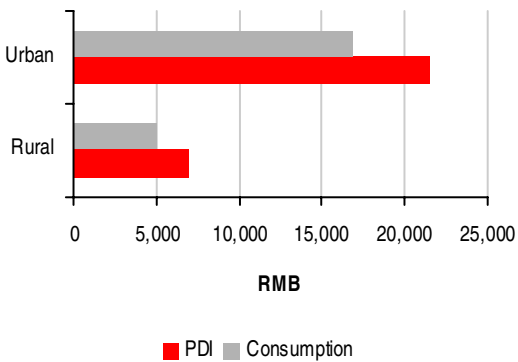
Source: CEIC

Urban and rural population 2009 - Guangdong



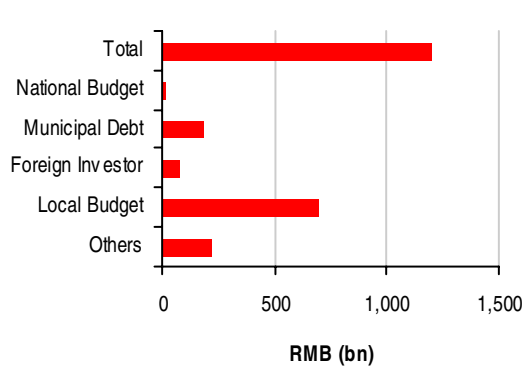
Source: CEIC

Personal disposable income and consumption 2009 - Guangdong



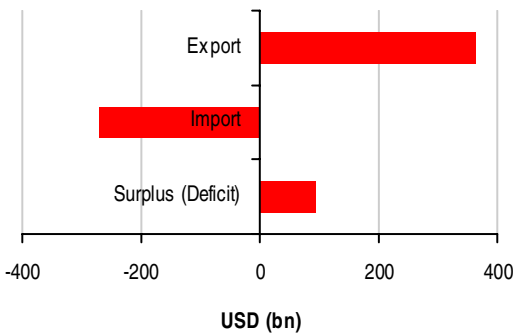
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Guangdong



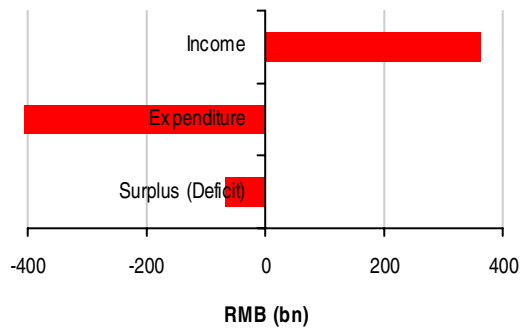
Source: National Bureau of Statistics of China

Foreign trade 2009 - Guangdong



Source: CEIC

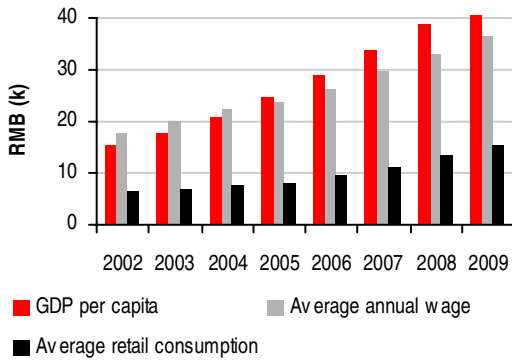
Government income and expenditure 2009 - Guangdong



Source: CEIC

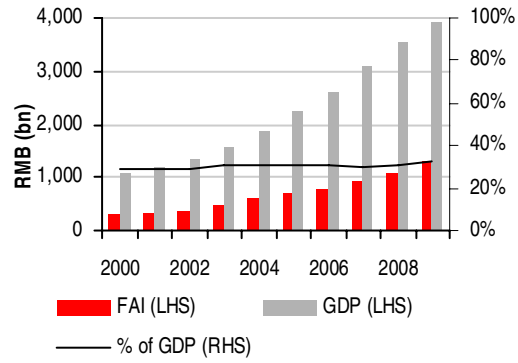
Key growth figures

Per capita income and consumption - Guangdong



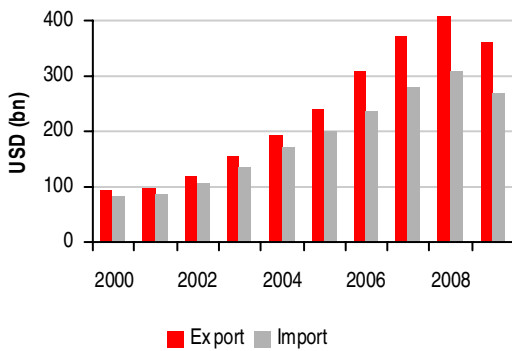
Source: CEIC

Annual fixed asset investment - Guangdong



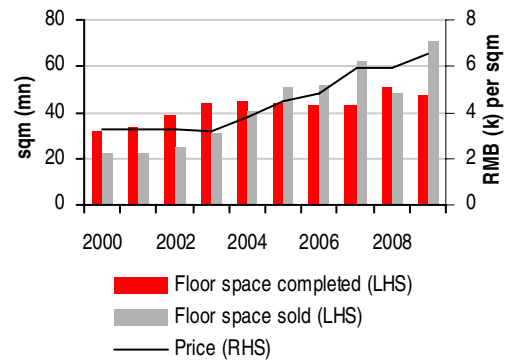
Source: CEIC, HSBC

Exports/imports - Guangdong



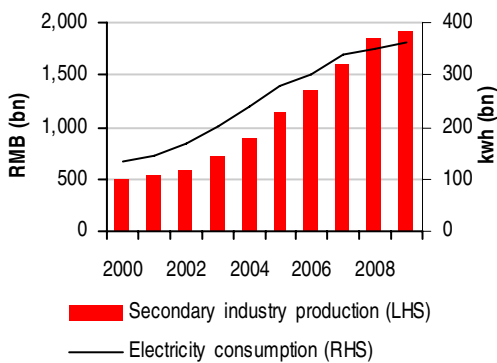
Source: CEIC

Commodity building volume and price - Guangdong



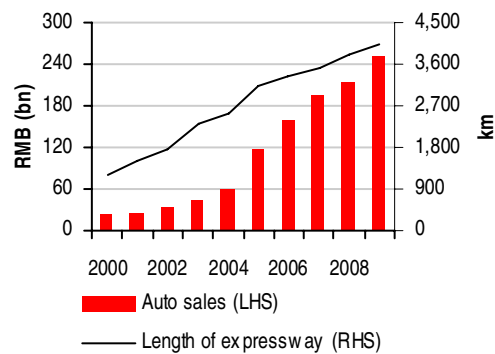
Source: CEIC

Secondary industry production and electricity usage - Guangdong



Source: CEIC

Auto sales and expressway growth - Guangdong



Source: CEIC

Hainan (海南)

Size

Located in the South China Sea and comprising Hainan Island plus over 200 small islands, Hainan is China's southern-most province. It has the same land area as Moldova (or Taiwan) and the population of Austria; it is the fourth least populous province in China. Hainan was established as a new province and a Special Economic Zone in 1988 after spinning off from Guangdong province.

Strengths

Tourist attraction

With a coastline stretching for 1,580 kilometres and a tropical climate, Hainan has the unique advantage of natural beauty and green ecology. Geographically, it has the same latitude as the world's best resorts such as Hawaii, Bali and Phuket. The quality of its beaches, sunshine, climate and natural tropical forest coverage (more than 58% of the land) is also on par with Monaco, Nice and the Hawaiian Islands. It has world-class tourist facilities that include the largest number of 5-star hotels per capita. Total traveller visits to the province hit 22mn in 2009, bringing RMB21bn in revenue, a 10% year-on-year increase despite the overhang of the financial crisis in 1H2010. Thanks to its booming tourism industry, Hainan Airlines (海航集团) is in China's Top 500 company list, the only one from the province.

In December 2009, the State Council announced its strategic plan to make Hainan a world-class "International Tourist Destination" by 2020.

Therefore, Hainan's tourism and its overall economy can be expected to elevate to a new level.

Agricultural base

With the agricultural sector accounting for the largest share of its GDP (close to 30%), Hainan is traditionally focused on agriculture. Because of its tropical climate, Hainan is an important source of paddy rice, coconuts, palm oil, tropical fruit and fisheries. Other than automobile equipment, Hainan's secondary industry is small, making tourist-related services and agriculture the main drivers of growth in this economy ranked 28th in China in terms of GDP.

Offshore oil and gas reserves

Hainan may benefit from the recent discovery of large oil and gas reserves in the South China Sea. Some industry experts think Hainan might be one of the richest provinces in terms of oil and natural gas deposits, suggesting it could gain more from future exploration. However, risks involved in exploring far away and using deep sea resources and the rumbling dispute with neighbouring countries over ownership of islands near the South China Sea could hold back Hainan's offshore drilling prospects.

Gaming industry potential

The State Council's strategic plan also leaves the door open for Hainan to explore the potential of the gaming industry. The development of "large-scale international sports lottery and other lottery events" is explicitly mentioned while other forms of gaming are not explicitly prohibited.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	9	28	Austria	88
Area (sq km)	35,354	28	Moldova	131
Density (per sq km)	244	17	Jamaica	30
GDP (RMBbn)	165	28	Panama	90
GDP per capita (RMB)	19,254	23	Vanuatu	107
GDP density (RMB per sqm)	5	17	Romania	53

Source: CEIC, IMF, CIA, HSBC

Challenges

Risk of another property market crash

Hainan went through China's biggest property bust in its modern history in the 1990s. Its real estate market, mostly in the city of Sanya, was extraordinarily active entering 2010 after the government announced its plan to develop Hainan into a leading tourist destination. The price index for commodity buildings jumped 50% during the first 8 months of 2010, despite a nationwide crackdown on the property sector that began in April. Property sales, most of which were luxury units bought by people from other provinces for investment, exploded by 73% to RMB35bn revenue in 2009, raising the spectre of another property bubble.

Five-year outlook

Construction of rural roads

Hainan plans to build 10,000km of rural roads on top of 15,588km to be completed at the end of the current Five-Year Plan.

Major cities (by GDP)

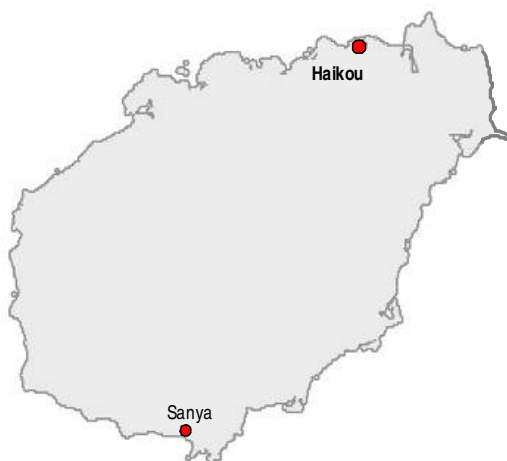
Haikou (海口, capital), Sanya (三亚)

Top officials

Party Secretary: Wei Liucheng (卫留成)

Governor: Luo Baoming (罗保铭)

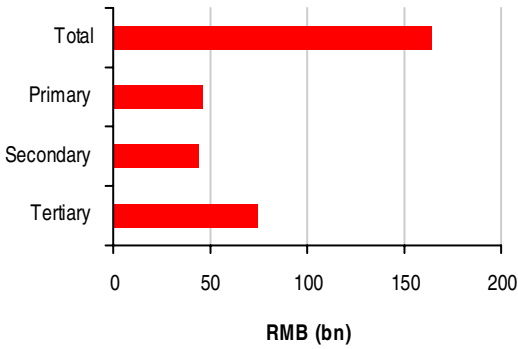
Map of Hainan



Source: HSBC

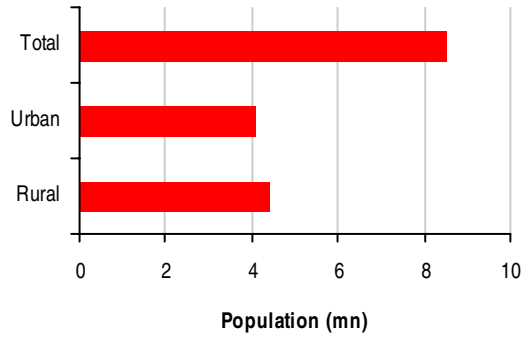
Key financial and demographic data

Annual gross domestic production 2009 - Hainan



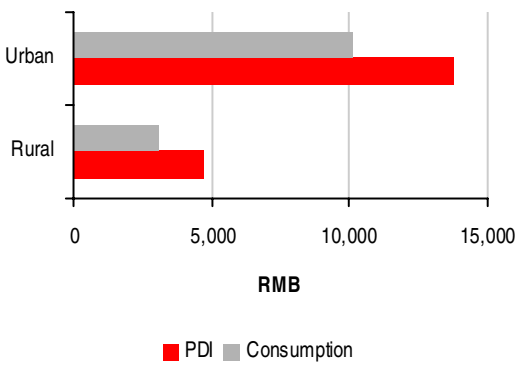
Source: CEIC

Urban and rural population 2009 - Hainan



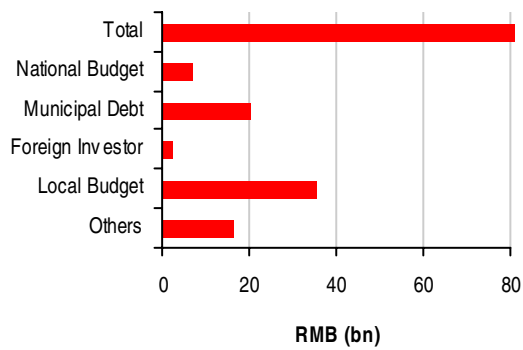
Source: CEIC

Personal disposable income and consumption 2009 - Hainan



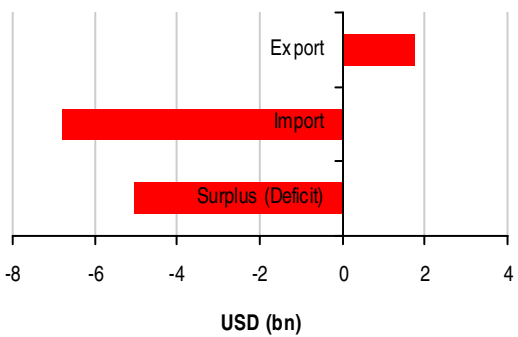
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Hainan



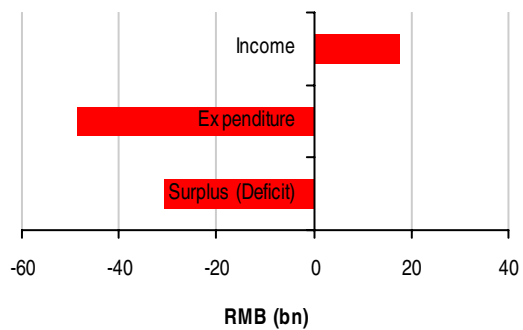
Source: National Bureau of Statistics of China

Foreign trade 2009 - Hainan



Source: CEIC

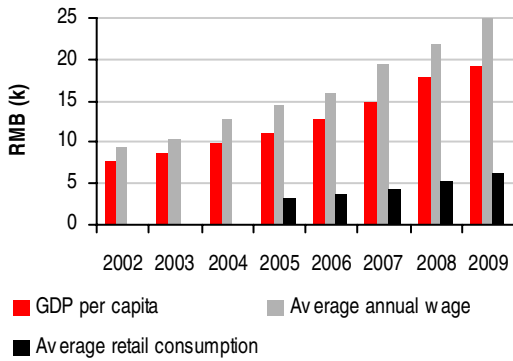
Government income and expenditure 2009 - Hainan



Source: CEIC

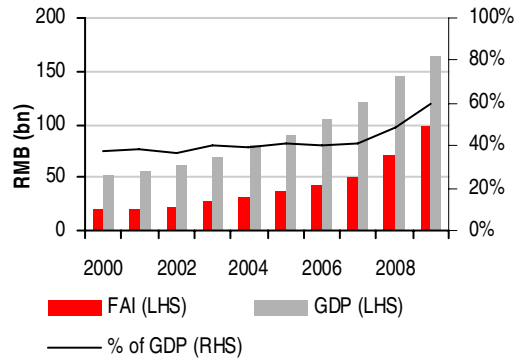
Key growth figures

Per capita income and consumption - Hainan



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Hainan



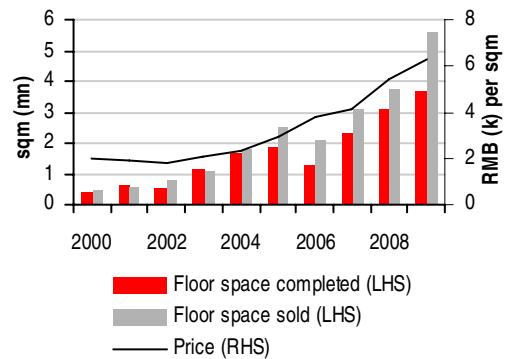
Source: CEIC, HSBC

Exports/imports - Hainan



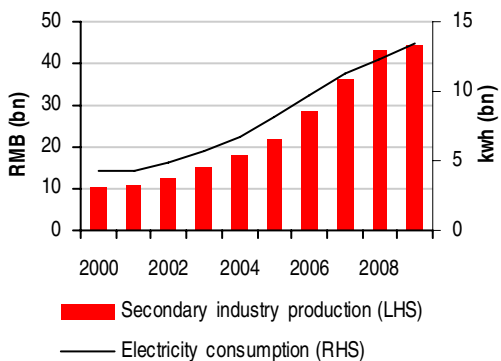
Source: CEIC

Commodity building volume and price - Hainan



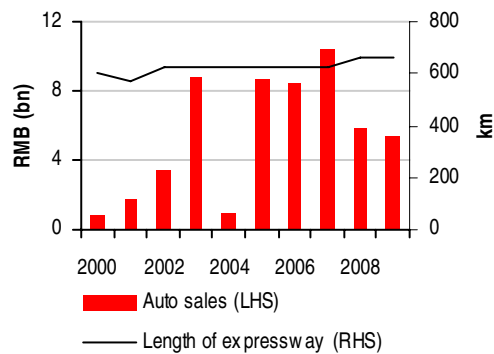
Source: CEIC

Secondary industry production and electricity usage - Hainan



Source: CEIC

Auto sales and expressway growth - Hainan



Source: CEIC

Hebei (河北)

Size

Located in north China and surrounding Beijing and Tianjin, Hebei is the 6th most populous province in China (70mn people, equivalent to Turkey). It has a land area the size of Syria, the GDP of Thailand, GDP per capita of El Salvador (or Fiji) and GDP per sqm of Poland.

Strengths

Kingdom of iron and steel

Heavy industry accounts for the lion's share of Hebei's GDP, led by iron and steel. Hebei is China's largest producer of crude steel with nearly 25% of market share in China. Most of Hebei's largest companies are iron and steel related, such as Hebei Iron and Steel Group (河北钢铁集团), Hebei Jinxi Iron & Steel (河北津西钢铁集团), Tangshan Ruifeng Iron and Steel Group (唐山瑞丰钢铁), Hebei Wenfeng Iron and Steel (河北文丰钢铁) and the other three companies all have annual revenues above RMB10bn. Therefore, Hebei is the largest consumer of coking coal (20% of the nation's total). The growth will continue as the relocation of Shougang Group (首钢集团), China's sixth largest steel company in terms of sales, has yet to complete. Hebei's leading position in the steel industry is expected to strengthen once the relocation is completed.

Entry point to Beijing/Tianjin

Hebei has the third longest railway and fifth longest expressway amongst all provinces since it connects the two leading municipalities, Beijing and Tianjin, with the rest of China. These links

raise Hebei's strategic importance as it becomes a leading supplier of agricultural products (with 58% rural population, one of the highest in China) in addition to being a heavy industrial base and railway/expressway hub. Hebei may enjoy more employment gains in mid- to low-end industries as both Beijing and Tianjin are seeking to restructure to high tech or tertiary sectors.

Challenges

Largest polluter

The flip side of the ongoing industry migration is that Hebei has become one of most seriously polluted areas in China. To ensure sustainable growth and to meet the low-carbon intensity target set by the State Council, the province needs to find a solution to maintain its strength in the iron and steel industry whilst upgrading its technology and improving production efficiency.

Pending iron and steel consolidation

In addition to seven large iron and steel companies with a combined RMB10trn annual sales, there are over 80 small-to-medium sized companies in this industry. To meet Beijing's aggressive energy efficiency targets, large scale industry consolidation or M&A is inevitable in the coming years, and presents a great challenge to local governments (but a great opportunity for investment banking advisory services).

Five-year outlook

Development around Beijing-Tianjin area

Geographically, Hebei will focus on development in the area surrounding Beijing and Tianjin, an area

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	70	6	Turkey	18
Area (sq km)	188,434	13	Syrian Arab Republic	84
Density (per sq km)	373	10	Lebanon	13
GDP (RMBbn)	1,703	6	Thailand	33
GDP per capita (RMB)	24,581	12	El Salvador	101
GDP density (RMB per sqm)	9	11	Poland	44

Source: CEIC, IMF, CIA, HSBC

the size of Greece, with the population of Poland and a GDP slightly below that of the Philippines. The State Council aims to turn Hebei into:

- ▶ An advanced manufacturing base in the north;
- ▶ A modern logistics base;
- ▶ A central area for strategic resource reserves;
- ▶ An industrial base for transforming technological advances in the Beijing-Tianjin area;
- ▶ Green and healthy food and secondary energy base; and
- ▶ A centre for high-end leisure travel that complements Beijing and Tianjin.

Major cities (by GDP)

Tangshan (唐山), Shijiazhuang (石家庄, capital), Handan (邯郸), Cangzhou (沧州), Baoding (保定), Langfang (廊坊), Xingtai (邢台), Qinhuangdao (秦皇岛), Zhangjiakou (张家口), Chengde (承德), Hengshui (衡水)

Top officials

Party Secretary: Zhang Yunchuan (张云川)
Governor: Chen Quanguo (陈全国)

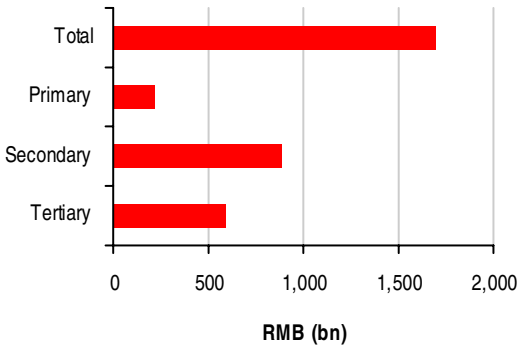
Map of Hebei



Source: HSBC

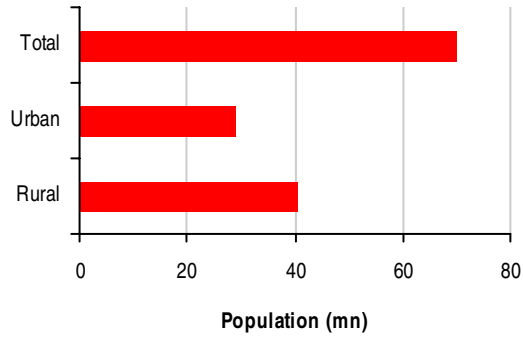
Key financial and demographic data

Annual gross domestic production 2009 - Hebei



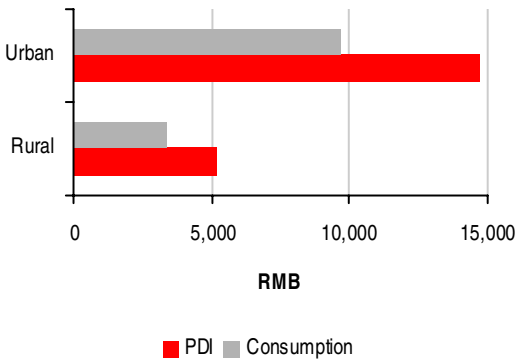
Source: CEIC

Urban and rural population 2009 - Hebei



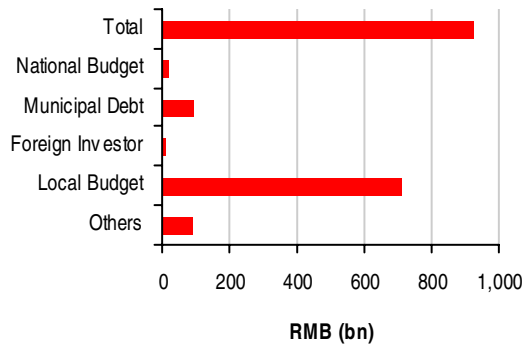
Source: CEIC

Personal disposable income and consumption 2009 - Hebei



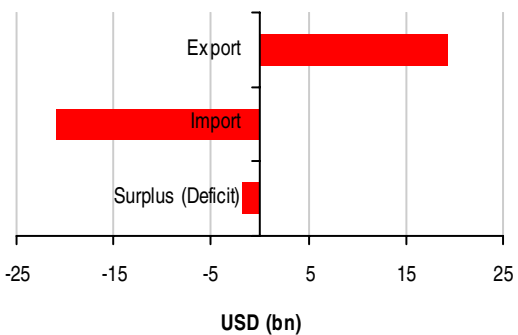
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Hebei



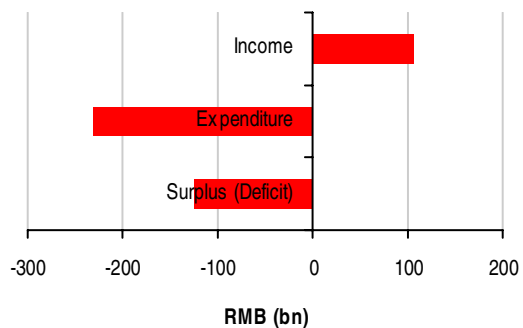
Source: National Bureau of Statistics of China

Foreign trade 2009 - Hebei



Source: CEIC

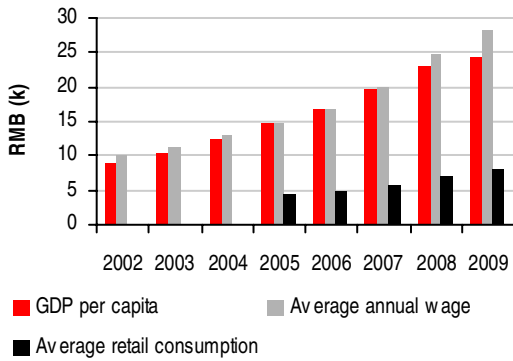
Government income and expenditure 2009 - Hebei



Source: CEIC

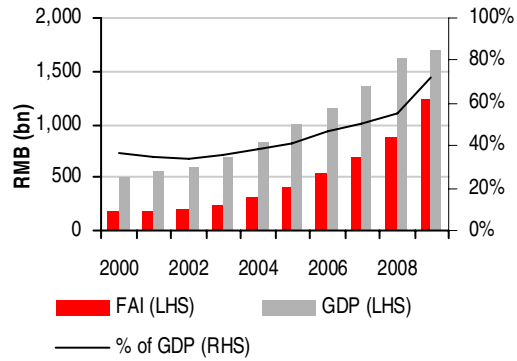
Key growth figures

Per capita income and consumption - Hebei



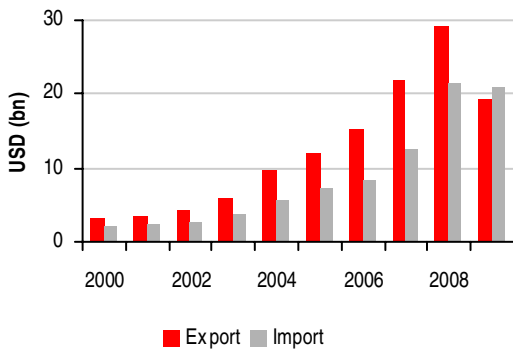
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Hebei



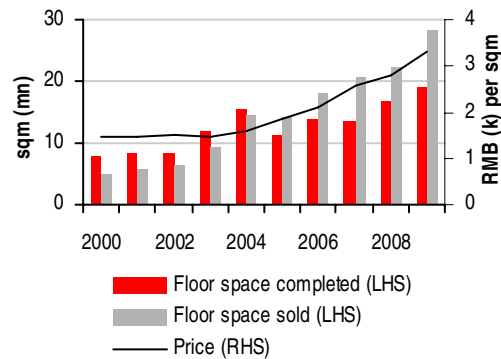
Source: CEIC, HSBC

Exports/imports - Hebei



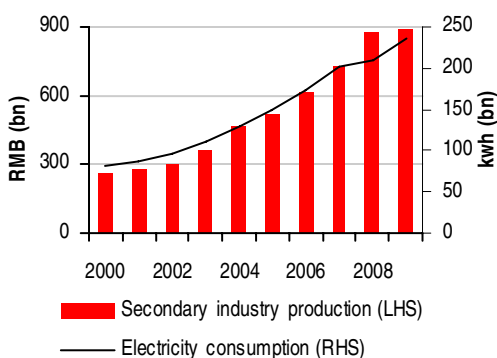
Source: CEIC

Commodity building volume and price - Hebei



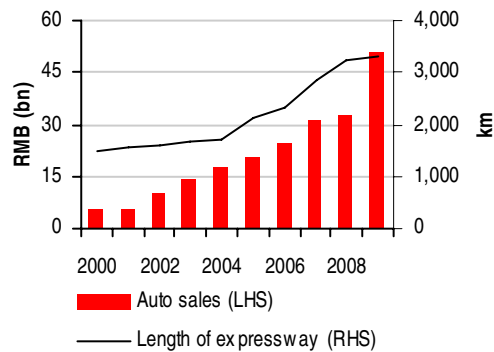
Source: CEIC

Secondary industry production and electricity usage - Hebei



Source: CEIC

Auto sales and expressway growth - Hebei



Source: CEIC

Jiangsu (江苏)

Size

Located in the middle of China's coastline and bordering the north of Shanghai, Jiangsu has the land area of Iceland, a population the size of Egypt (it is China's fourth most populous province), GDP of Indonesia, GDP per capita of Botswana and GDP per sqm that has already surpassed Austria.

Strength

Balanced behemoth and still growing

Jiangsu, the second largest local economy behind Guangdong province in terms of GDP and trade (with exports and imports worth USD207bn and USD159bn, respectively), has been growing from a traditional agriculture plus light industry economy into a balanced and diversified one. It is:

- ▶ the world's leading manufacturer and exporter of solar power equipment, chemicals, electronic equipment, textiles, materials and other machinery; and
- ▶ the most popular destination for FDI (USD25.3bn for 2009) and led the nation for the fourth consecutive year in 2009, suggesting strong growth ahead.

Amongst the "big-four" provinces in China, Guangdong, Jiangsu, Shandong and Zhejiang, Jiangsu has the fastest growth rate.

Jiangsu had 59 companies with more than RMB10bn revenue in 2009, second only to Beijing with 98 (thanks to its capital city status). More importantly, unlike Beijing where the leading companies are state-owned monopolies in

strategic industries such as banking and energy, companies in Jiangsu are mostly privately-owned (nearly 80% of the largest ones), covering a wide range of businesses with most headquartered in the cities of Wuxi, Suzhou and Nanjing.

In addition to the list of companies in the Cities section (see p.194, p.207 and p.213 for Nanjing, Suzhou and Wuxi, respectively), other household names in Jiangsu include Yueda Group (江苏悦达集团), Xuzhou Construction Machinery Group (徐州工程机械集团), Zenith Steel Group (中天钢铁集团), Macalline (红星家具) and China Baixing Group (百兴集团).

Thriving private enterprises

What sets Jiangsu apart from other provinces is its success in nurturing private entrepreneurship. Among the Top 500 Chinese Private Enterprises or non-SOEs, 129 are based in Jiangsu (an increase from 109 in 2008, despite the global financial crisis) and include the first-ranked Shagang Group (沙钢集团) and the second-ranked Suning Appliance Corporation (苏宁电器集团).

In addition, the city of Nantong in Jiangsu is home to China's best known non-state-owned construction teams, competing and thriving in a crowded space usually dominated by state-owned construction conglomerates. Among them are Nantong No.3 Construction Group (南通三建集团), Zhongnan Group (中南控股集团), Jiangsu Suzhong Construction Group (江苏省苏中建设集团) and Nantong No.2 Construction Group (江苏南通二建集团). All are leading construction players ranked in China's Top 500 list.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	77	5	Egypt	16
Area (sq km)	106,742	24	Iceland	101
Density (per sq km)	724	4	Barbados	8
GDP (RMBbn)	3,406	2	Indonesia	19
GDP per capita (RMB)	44,744	5	Botswana	70
GDP density (RMB per sqm)	32	4	Austria	21

Source: CEIC, IMF, CIA, HSBC

Leader in securitization

Many of the county-level cities in Jiangsu, such as Jiangyin, Changshu, Zhangjiagang and Kunshan, lead the nation in the level of securitisation with 128 listed companies in total. The province leads the country in fund-raising via capital markets instead of bank loans.

National leader in R&D

In 2008, Jiangsu passed Beijing for the first time to become the nation's top spender on R&D. Unlike Beijing which is a centre for institutional research, Jiangsu's R&D has been driven more by corporations seeking to advance their technology and move up the value chain with a strong focus on the corporate bottom line. Consequently, R&D is the main force behind the success of Jiangsu's private enterprises.

Strategic location

The Yangtze River, Asia's longest (6,300km) and the world's third largest river, second only to the Nile in northeast Africa and the Amazon in South America, cuts through Jiangsu. With five giant bridges completed and three more underway (prior to which there was only the Nanjing-Yangtze bridge), Jiangsu will become a key transit port connecting the north and south. It is also a key transit place for the pending Beijing-Shanghai High-Speed Railway.

Challenge

Narrowing the wealth divide

The Yangtze River not only divides Jiangsu geographically, it also sets apart the northern and southern parts economically. GDP per capita in the south (about RMB80,000) is more than triple that in the north (about RMB23,000). However, lying geographically below Shandong, another well-developed province, northern Jiangsu has great potential to reduce the gap with its southern area by increasing cross-province transactions and taking advantage of the Beijing-Shanghai High-

Speed Railway, which is expected to start operating in summer 2011.

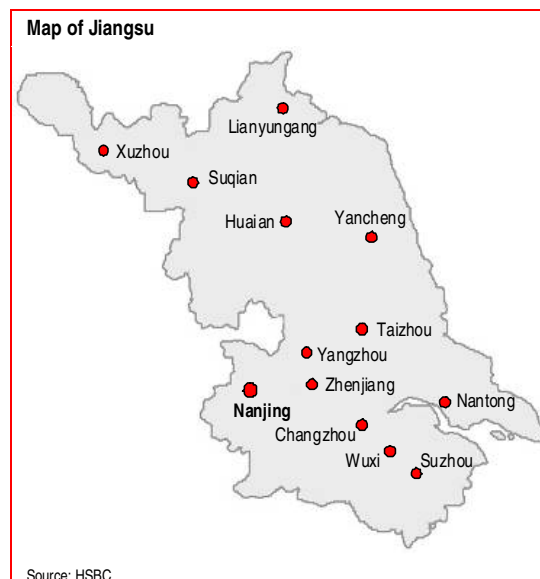
Five-year outlook

Slowing from 14% to 10% annual GDP growth

Jiangsu aims to switch its growth model from quantity to quality with a 4 percentage point cut in its annual growth rate, or from a CAGR in its GDP of 14% to 10%. That is a nearly 30% slowdown, a gigantic commitment to growth quality. At the end of 2015, GDP per capita is expected to exceed USD10,000, compared with approximately USD7,000 at the end of 2010. Jiangsu is determined to focus more on high tech, emerging new industries and service industries. It will significantly increase its R&D expenditure from RMB58bn in 2008 to RMB161bn in 2015, despite already having led the country in R&D spending.

Railway expansion

Given Jiangsu is China's second largest economy and may surpass Guangdong in terms of GDP in 2012, it is imperative to expand its intra and inter-provincial railway links for passengers and cargo. Jiangsu plans to more than double its railway coverage from 1,678km in 2008 to 3,700km by 2015.



Major cities (by GDP)

Suzhou (苏州), Wuxi (无锡), Nanjing (南京, capital), Nantong (南通), Changzhou (常州), Xuzhou (徐州), Yancheng (盐城), Yangzhou (扬州), Zhenjiang (镇江), Taizhou (泰州), Huai'an (淮安), Lianyungang (连云港) and Suqian (宿迁)

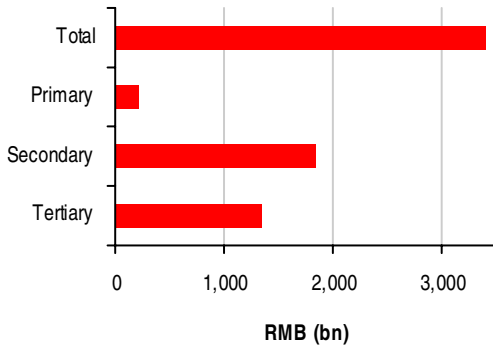
Top officials

Party Secretary: Luo Zhijun (罗志军)

Governor: Li Xueyong (李学勇)

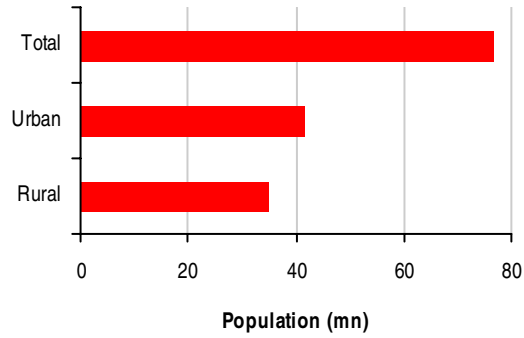
Key financial and demographic data

Annual gross domestic production 2009 - Jiangsu



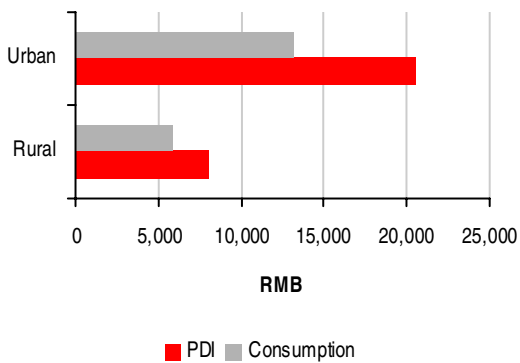
Source: CEIC

Urban and rural population 2009 - Jiangsu



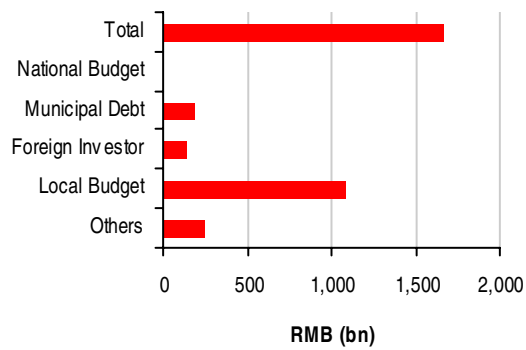
Source: CEIC

Personal disposable income and consumption 2009 - Jiangsu



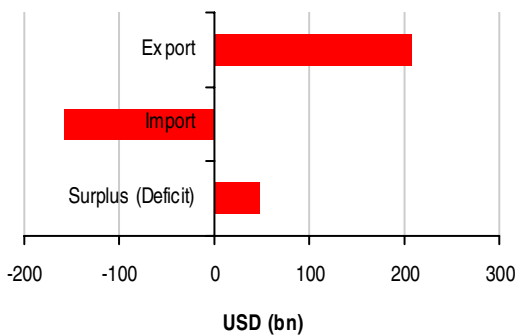
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Jiangsu



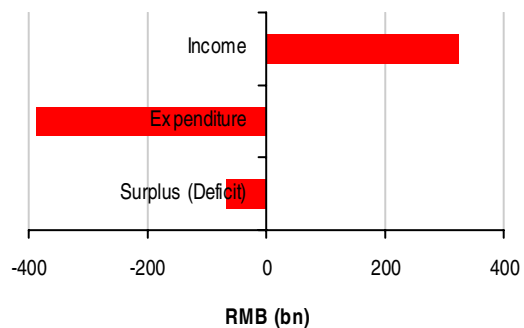
Source: National Bureau of Statistics of China

Foreign trade 2009 - Jiangsu



Source: CEIC

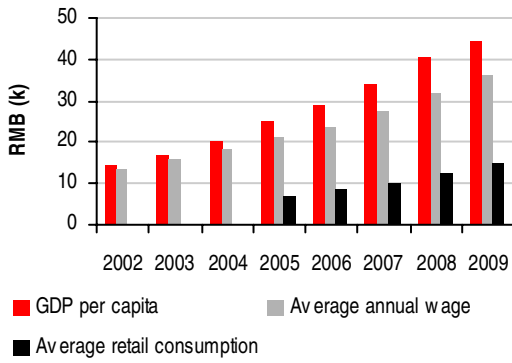
Government income and expenditure 2009 - Jiangsu



Source: CEIC

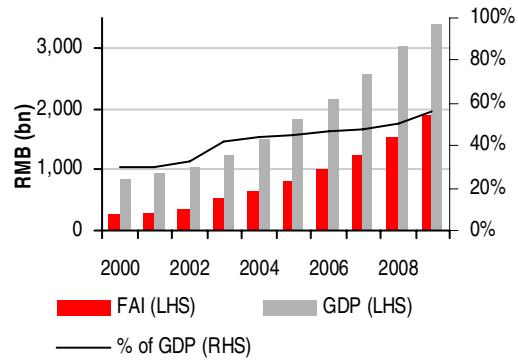
Key growth figures

Per capita income and consumption - Jiangsu



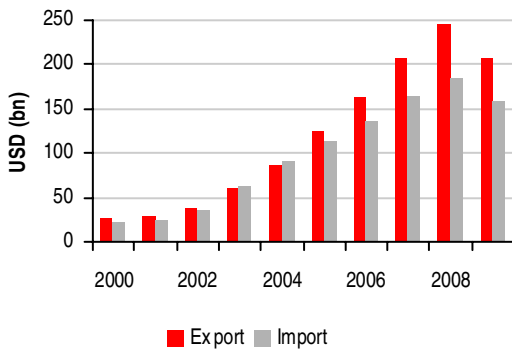
Note: Average retail consumption is not available until 2005.
Source: CEIC

Annual fixed asset investment - Jiangsu



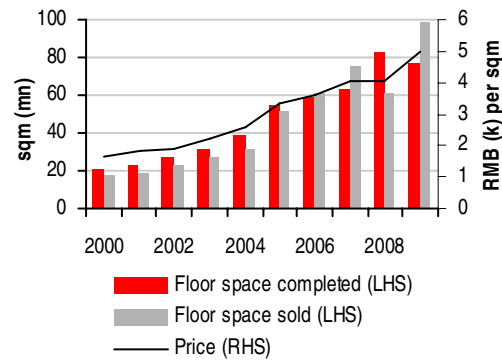
Source: CEIC, HSBC

Exports/imports - Jiangsu



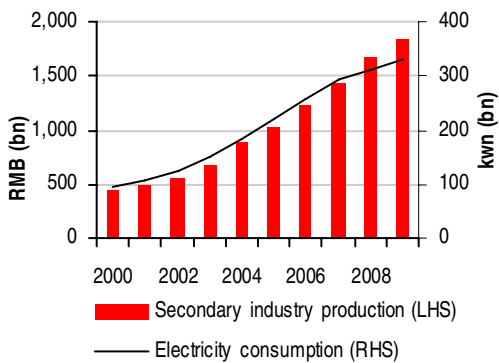
Source: CEIC

Commodity building volume and price - Jiangsu



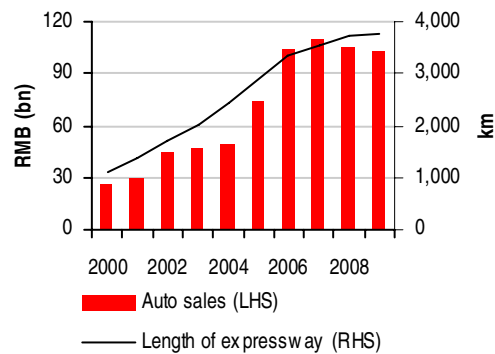
Source: CEIC

Secondary industry production and electricity usage - Jiangsu



Source: CEIC

Auto sales and expressway growth - Jiangsu



Source: CEIC

Shandong (山东)

Size

Located at the upper part of China's coast line and across the Yellow Sea to South Korea, Shandong is the third most populous province in China with a population of 95mn or similar to the Philippines. It has a land area the same size as Tunisia, the GDP of Switzerland (also third largest in the country) and GDP per capita of the Dominican Republic.

Strengths

Largest agricultural base

Shandong is China's largest provider of agricultural products and related services that include a wide range of wheat, corn, vegetables, fruit, seafood and animal husbandry. Total investment in the agricultural sector reached RMB114bn in 2009, or 3.4% of its GDP, which further strengthened its leadership position. Linyi Xincheng Jinluo Meat Products Co. (临沂新程金锣肉制品集团), yet to go public, is Shandong's largest company in this sector.

Significant infrastructure upgrade

Shandong led the nation in infrastructure spending in 2009 at more than RMB1.9trn, or 56% of the province's GDP. The dependence of its GDP growth on FAI has been rising steadily in recent years as Shandong makes significant investments in restructuring its 10 major industries and expands railway and highway coverage rapidly across the province.

Secondary industry in Shandong has benefited the most from rising FAI (plus growth in international

trade and technological upgrade) and registered a nominal 18.1% average annual growth for the last decade to reach RMB1.9trn in 2009. A total of 56 of China's Top 500 companies were headquartered in Shandong in 2009, a significant pick up from 37 in 2005. The large ones include Haier Group (海尔集团), Shandong Iron and Steel Group (山东钢铁集团), Shandong Weiqiao Pioneering Group (山东魏桥创业集团), Hisense Group (海信集团) and China National Heavy Duty Truck Group (中国重型汽车集团).

Major port on the Pacific Ocean

The Shandong Peninsula, stretching out into the Pacific Ocean, has two of the largest economies in the province, the cities of Qingdao (青岛) and Yantai (烟台), where this year the busy Qingdao port will open the world's largest iron ore terminal. Qingdao has been a foreign investment destination since the late 1970s due to its proximity to Japan and Korea and its cultural roots as a former German colony.

Tourist destination

Tourism is the largest contributor to Shandong's services sector with RMB245bn in 2009. The province's main attraction is its natural beauty and cultural heritage (e.g., it is the birthplace of Confucianism). Shandong, especially Shandong Peninsula is the South Koreans' first choice for both investment and travel destination in China, largely due to its proximity. The city of Qingdao is also well known for its annual beer festival and yachting culture. More recently, Korean companies have started to expand their business and investment from eastern Shandong to the

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	95	3	Philippines	12
Area (sq km)	157,126	19	Tunisia	88
Density (per sq km)	603	5	Mauritius	9
GDP (RMBbn)	3,381	3	Switzerland	19
GDP per capita (RMB)	35,894	8	Dominican Republic	79
GDP density (RMB per sqm)	22	7	Spain	27

Source: CEIC, IMF, CIA, HSBC

inner western part, further benefiting the province's economy.

Challenges

Worst in energy efficiency

Despite the closure and upgrade of a large number of inefficient producing and energy-consuming facilities in the last decade, Shandong remains the number one fossil energy consuming province in China. It consumed 246mn tonnes of coal equivalent energy in 2009, 21% more than the second-ranked Shanxi province, or 2.6 times more than Guangdong province which has a larger secondary industry.

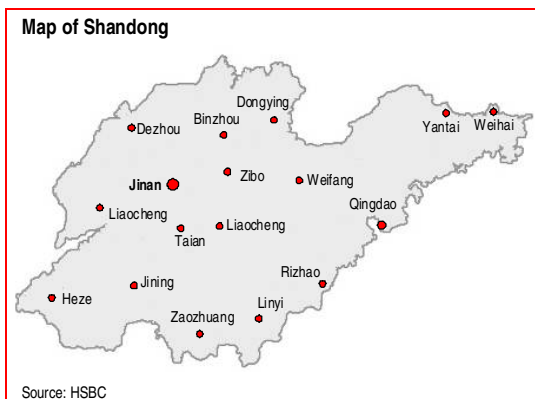
Growth stalled under energy conservation

Shandong is "big but not strong" relative to its peer industrial giants, Jiangsu and Guangdong. Its industrial value-added to GDP ratio of 54% is 2% and 4% higher than Jiangsu and Guangdong's, respectively, but its contribution to tax revenue is only 10-20% less than peers. Already, m-o-m industrial growth from July to September 2010 is slowing by more than 1% every month to meet energy-saving targets, while its peers are still growing.

Five-year outlook

Technology upgrade

The focus for the coming five years is on technology upgrade to improve energy efficiency. Six industries and 1,000 technology upgrade programs have been identified.



Major cities (by GDP)

Qingdao (青岛), Yantai (烟台), Jinan (济南, capital), Weifang (潍坊), Zibo (淄博), Jining (济宁), Linyi (临沂), Dongying (东营), Weihai (威海), Taian (泰安), Dezhou (德州), Liaocheng (聊城), Binzhou (滨州), Zaozhuang (枣庄), Heze (菏泽), Rizhao (日照), Laiwu (莱芜)

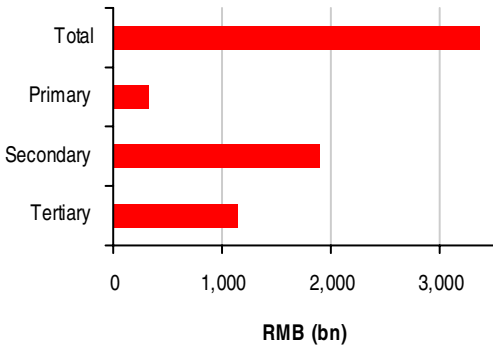
Top officials

Party Secretary: Jiang Yikang (姜异康)

Governor: Jiang Daming (姜大明)

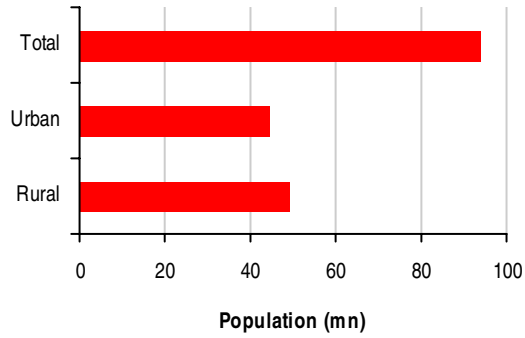
Key financial and demographic data

Annual gross domestic production 2009 - Shandong



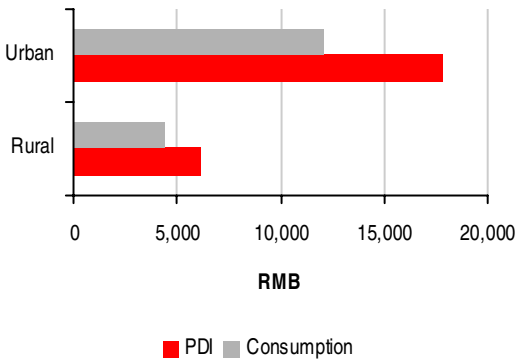
Source: CEIC

Urban and rural population 2009 - Shandong



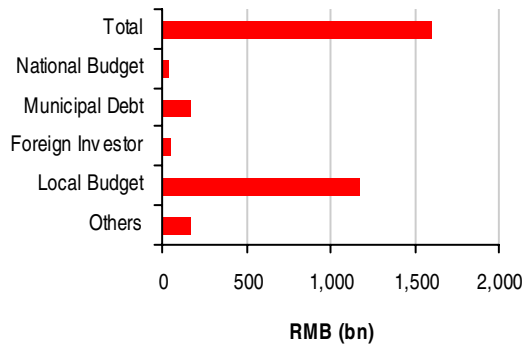
Source: CEIC

Personal disposable income and consumption 2009 - Shandong



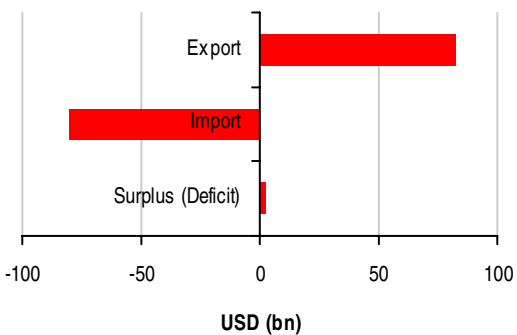
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Shandong



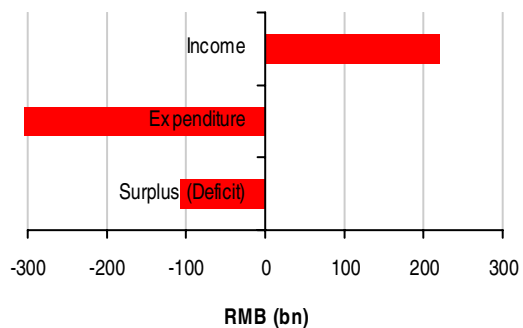
Source: National Bureau of Statistics of China

Foreign trade 2009 - Shandong



Source: CEIC

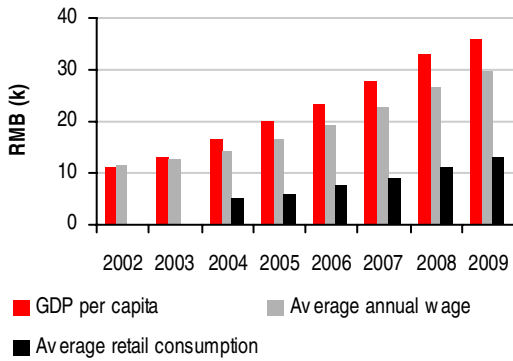
Government income and expenditure 2009 - Shandong



Source: CEIC

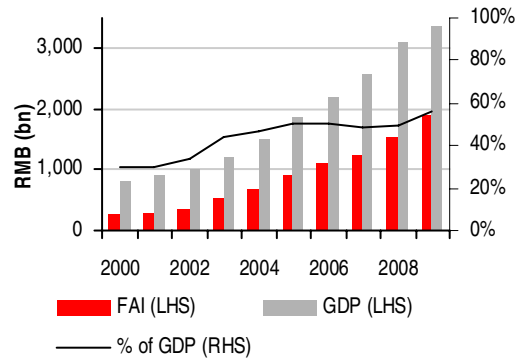
Key growth figures

Per capita income and consumption - Shandong



Note: average retail consumption is not available until 2004
Source: CEIC

Annual fixed asset investment - Shandong



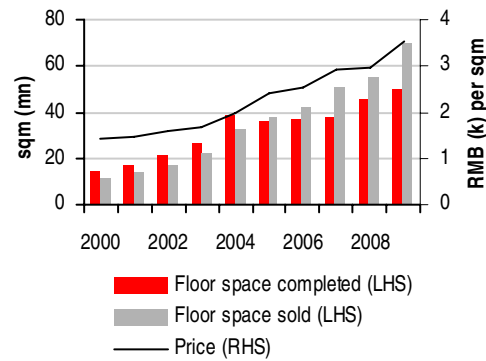
Source: CEIC, HSBC

Exports/imports - Shandong



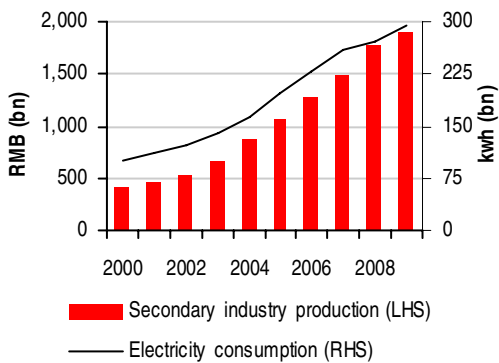
Source: CEIC

Commodity building volume and price - Shandong



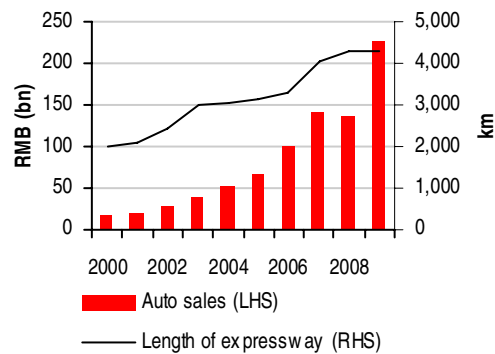
Source: CEIC

Secondary industry production and electricity usage - Shandong



Source: CEIC

Auto sales and expressway growth - Shandong



Source: CEIC

Shanghai (上海)

Size

Located in the centre of China's coastline and connecting the Pacific Ocean and Yangtze River, at 19mn, Shanghai's population equals Cameroon's, its area matches Lebanon, it has a population density one-third of Hong Kong's (highest in the nation), the GDP of Ireland or the city of Seattle and GDP per capita to match Poland.

Strengths

National leader in growth quality

Shanghai has a GDP of RMB1.5trn, highest amongst all cities, and ranks 8th at the provincial level. However, it is a clear leader in terms of the quality of its growth – more than 60% of GDP derives from the service sector. Local leaders in the service sector include Bailian Group (百联集团), China United Network Communications Limited (中国联通), Bank of Communications (交通银行) and China Pacific Insurance (中国太平洋保险).

The remaining 39.3% of GDP is from the relatively high end of the automobiles, electronics, petrochemicals, iron & steel and equipment manufacturing industries. Shanghai Automotive Industry Corporation (上海汽车工业集团), Shanghai Baosteel Group (宝钢集团) and Aviation Industry Corporation of China (中国航空工业集团公司) are the top industrial companies. Consequently, Shanghai is one of the leaders in fossil fuel energy efficiency (measured in coal equivalent kg per unit of GDP), despite having the highest population density and urbanisation ratio.

With a FAI to GDP ratio of 0.35, Shanghai's growth is least investment-dependent at the provincial level (second only to Guangdong) as 90% of its peers have a dependency ratio above 50%. Shanghai has the highest average wage and disposable income and the lowest urban to rural income gap, all of which help it secure the second highest ranking (behind Beijing) in per capita retail consumption.

Most promising financial centre

Shanghai is mainland China's financial centre by any measure and is poised to become a world financial centre by 2020 with the support of the central government and according to the target set by the State Council. There are 787 financial institutions (FIs) in the city with 133 in banking services, 307 related to insurance, 93 securities companies and 170 foreign-owned FIs.

Major capital markets in Shanghai include the Shanghai Stock Exchange (SSE), the Shanghai Futures Exchange (SHFE) and the Shanghai Gold Exchange (SGE). As of 2009, SSE is China's largest stock market with 870 listed companies, 1,351 tradable securities and a total market value of RMB18trn; it ranks 6th in the world and above the HKSE. SHFE is one of four futures exchanges in China that trade copper, aluminium, zinc, steel wire rod, rebar, natural rubber, fuel oil and gold, with turnovers of many of the corresponding commodities already exceeding Chicago Board of Trade (CBOT) levels. SGE is China's largest gold spot market. Members of SGE account for 80% of gold production and 90% of gold consumption in China.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	19	25	Cameroon	56
Area (sq km)	8,239	31	Lebanon	158
Density (per sq km)	2,332	1	1/3 of HK	3
GDP (RMBbn)	1,490	8	Ireland	38
GDP per capita (RMB)	78,989	1	Poland	50
GDP density (RMB per sqm)	181	1	Bahrain	3

Source: CEIC, IMF, CIA, HSBC

Trade and port hub

Shanghai is also the largest port city in China, with total container throughput of 22.6mn TEUs, by far the largest in China, and a freight throughput of 495mn tonnes, second only to Ningbo in Zhejiang province. Shanghai has the third and fourth highest rankings in foreign trade (USD273bn) and FDI (USD10.5bn), respectively, at the provincial level in 2009. Hongqiao (虹桥) Foreign Trade Centre in the Puxi area (or the west side of the Bund) will be built as a world trade centre as well as an air and expressway hub, named Shanghai Hongqiao Linkong Economic Zone (上海虹桥领空经济园区) to further secure Shanghai's leading position in trade.

Shanghai's world trade hub position is further enhanced by the build up of Yangshan Port (洋山港), one of the world's largest and best quality deep-water container ports with annual throughput of about 25mn TEUs. RMB8.2bn has already been spent on phase one of construction, and Shanghai International Port Group (上港集团) is raising funds in the A share market and via private placement for new construction.

High-tech potential

Shanghai has a concentration of top research institutions led by Fudan University and Shanghai Jiao Tong University and high-tech/industrial zones such as Zhangjiang Hi-tech Park and Waigaoqiao (外高桥) Free Trade Zone that are home to many local and foreign high-tech companies, both listed and private.

Challenges

“Soft” environment and rising costs

Shanghai still lags far behind global financial centres, such as London, New York or Tokyo, especially in terms of “soft” environment such as financial innovation and products, rules and laws, free capital flows and human capital. For example, financial professionals only account for 1% of the

population, whereas in other financial centres the ratio is usually above 10%.

In contrast, the cost of living in Shanghai has surged at a much faster pace, quickly catching up with global peers. For example, the average price of floor space in Shanghai increased by 57% in 2009 and hit RMB13,000 per sqm.

Fastest aging society

Shanghai is becoming one of the world's oldest cities with its population aged 60 and above to rise 21% during the next five years to 4mn or 30% of the total population.

Five-year outlook

For the next five years, Shanghai will focus on high-tech manufacturing, innovation, brand-building and meeting low carbon intensity targets.

Additional RMB50bn investment in nine key industries

Shanghai aims to increase the scale of nine strategic industries to RMB840bn combined in 2015, doubling their current scale. They are: new energy, civil aviation manufacturing, advanced material and equipment, bio-medicine, electronic information industry, new energy vehicles, marine engineering equipment, new materials, software and information services.

Focusing on peripheral districts

With growth in the 600sq km city centre approaching a bottleneck, Shanghai aims to focus on its peripheral districts as the growth driver for the next five years. A city-level committee is being planned to coordinate activities involving major industry, infrastructure and social restructuring.

Disney theme park to open by 2015

Shanghai aims to start and complete construction of its Disney Park with 1sq km core area (4sq km surrounding area) in the coming five years, after more than a decade of negotiation and planning.

Increase the size of creative industry

Shanghai aims to increase the size of its creative industry, which mainly includes R&D and design, culture and media, architecture, consulting services and fashion from a current 7.7% of GDP to above 10%.

Low-carbon and energy-saving targets

At the current pace, Shanghai will need 145mn tonnes of coal-equivalent energy in 2015 to achieve its target of 8-9% annual GDP growth until 2015. However, the city's energy-saving target is now 130mn tonnes of coal equivalent energy which means at least a 10% reduction in energy usage. Shanghai plans to 1) push for emissions trading, 2) increase environmental standards for construction, and 3) develop its services industry to meet the target.

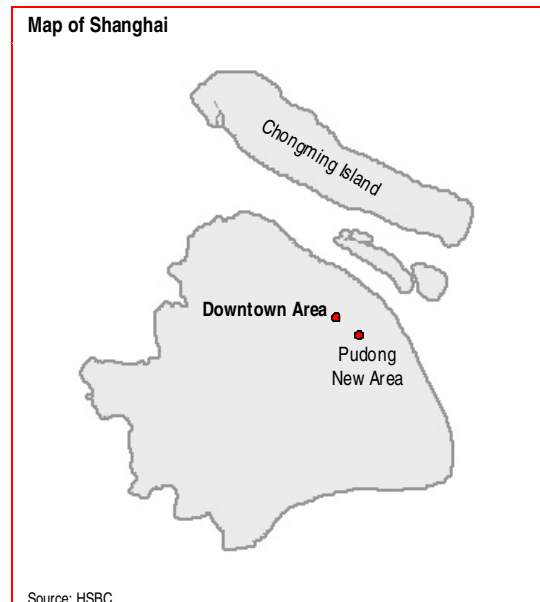
Mega-city "sickness" and restructuring

With its GDP growth rate likely to be lowered to 8% for the next 5 years, Shanghai still faces daunting challenges in traffic congestion, affordable housing, pollution control and population growth, all of which will be addressed with specific targets in the 12th Five-Year Plan. In particular, amongst the 130mn sqm new residential properties to be built in the coming five years, subsidized or affordable housing will account for 50% and 60% of total area and units, respectively.

More railways

Shanghai will strengthen its core position in the Yangtze River Delta by increasing railway length by 86% relative to an earlier proposal for the 12th Five-Year Plan, even though its current completion rate is already 32% above the 11th Five-Year Plan. The Shanghai Railway Bureau, which oversees railway construction in Shanghai and three neighbouring provinces, will lead the effort to more than double the railway coverage from 1.5km to 3.1km per sq km. The race is on.

Map of Shanghai



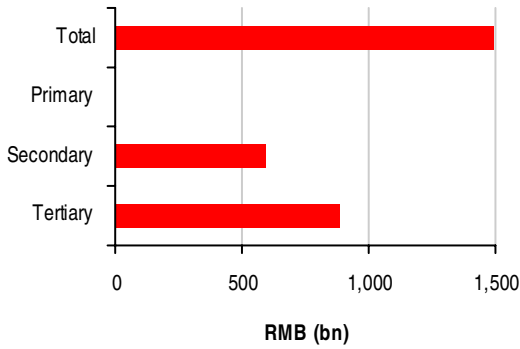
Top officials

Party Secretary: Yu Zhengshen (俞正声)

Governor: Han Zheng (韩正)

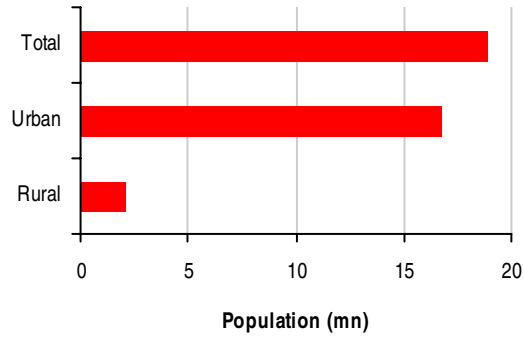
Key financial and demographic data

Annual gross domestic production 2009 - Shanghai



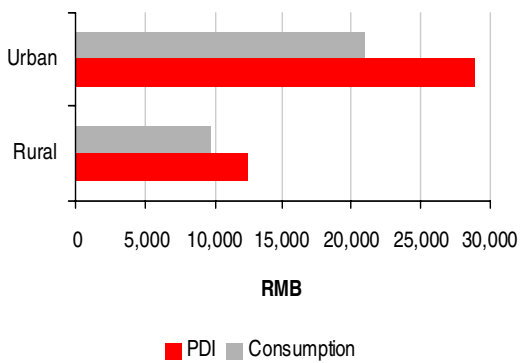
Source: CEIC

Urban and rural population 2009 - Shanghai



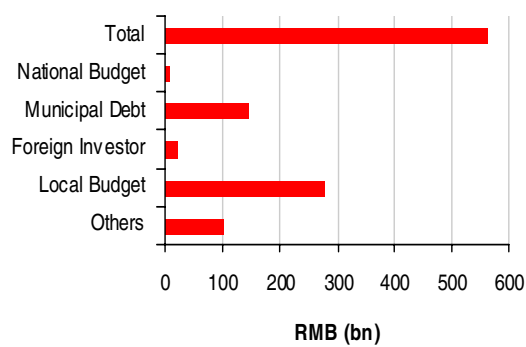
Source: CEIC

Personal disposable income and consumption 2009 - Shanghai



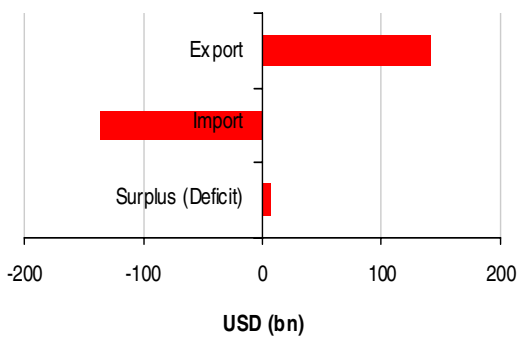
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Shanghai



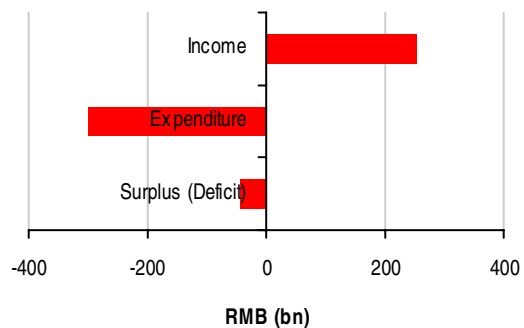
Source: National Bureau of Statistics of China

Foreign trade 2009 - Shanghai



Source: CEIC

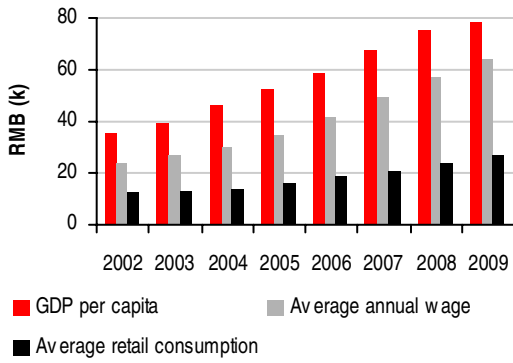
Government income and expenditure 2009 - Shanghai



Source: CEIC

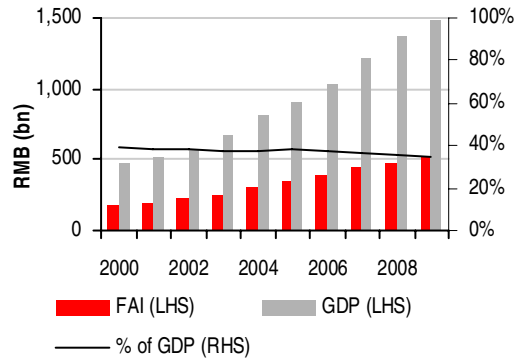
Key growth figures

Per capita income and consumption - Shanghai



Source: CEIC

Annual fixed asset investment - Shanghai



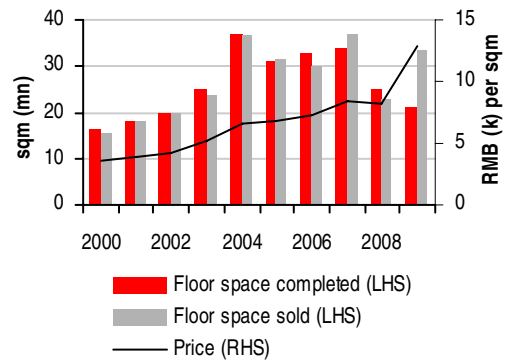
Source: CEIC, HSBC

Exports/imports - Shanghai



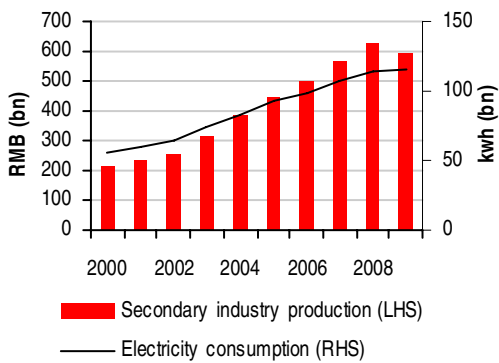
Source: CEIC

Commodity building volume and price - Shanghai



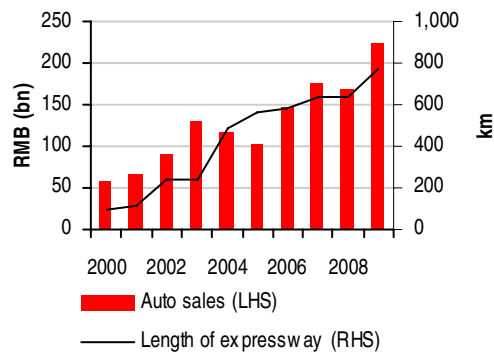
Source: CEIC

Secondary industry production and electricity usage - Shanghai



Source: CEIC

Auto sales and expressway growth - Shanghai



Source: CEIC

Tianjin (天津)

Size

Located in the west corner of Bohai Gulf and only 137km east of Beijing, Tianjin has a population of 12 million, three quarters of which are urban residents. It has the same area as Qatar, the GDP of Kazakhstan and GDP per capita of Uruguay, which ranks the third highest in China.

Strengths

Strategic location and port hub

Tianjin is the most important port in north China with a total freight throughput of 381mn tonnes (ranked 3rd in the nation) and total container throughput of 8.7mn TEUs.

Its strategic position between Beijing and the Pacific Ocean provides considerable advantages for transportation services and transportation equipment manufacturing that extend to aeronautics and astronautics manufacturing, petrochemicals, telecommunications, electronics and equipment manufacturing, all of which combined lead to the secondary sector being Tianjin's largest GDP driver and still developing fast.

Binhai New Area

Located in the eastern part of Tianjin, Binhai New Area (滨海新区) was set up by the State Council as a special economic zone and the centre of economic development in Northern China. It serves as a key financial and transportation hub. Binhai is one of three deputy-ministerial level development zones along with Shanghai Pudong and the Two-River or Liangjiang New Zone (两江

新区) in Chongqing Municipality. So far, the main industries in Binhai are aviation and aircraft, petro chemicals and new energy.

Binhai's GDP is set to surpass the better-known Shanghai Pudong this year based on its first three quarter GDP of RMB355bn vs. Pudong's RMB330bn and an expected GDP growth rate of 25% vs. Pudong's 14%, despite Tianjin's economy being about half the size of Shanghai.

Challenges

Dependence on FAI

Tianjin had a six-fold increase in its nominal GDP over the last decade from RMB130bn in 2000 to RMB750bn in 2009. However, unlike Beijing and Shanghai, Tianjin's growth is still heavily driven by FAI. For example, its 2009 FAI spending, mainly in manufacturing and infrastructure construction, is RMB474mn vs. GDP of RMB750mn.

Financial centre yet to add value

The Tianjin Equity Exchange (TEE for the financing and trading of non-public high-tech companies) and Bohai Commodity Exchange (BCE for commodity futures trading that includes crude oil, coking coal, rebar and hot-rolled coils) were established in 2009. However, Tianjin has yet to identify differentiating financial products and services that offer high value-added.

Dancing with Beijing

Tianjin has yet to find a way to minimize the drawbacks that result from its proximity to Beijing. For example, how to preserve its own

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	12	27	Zambia	70
Area (sq km)	11,917	30	Qatar	154
Density (per sq km)	1,030	3	1/6 of HK	9
GDP (RMBbn)	750	20	Kazakhstan	56
GDP per capita (RMB)	62,574	3	Uruguay	56
GDP density (RMB per sqm)	63	3	Germany	11

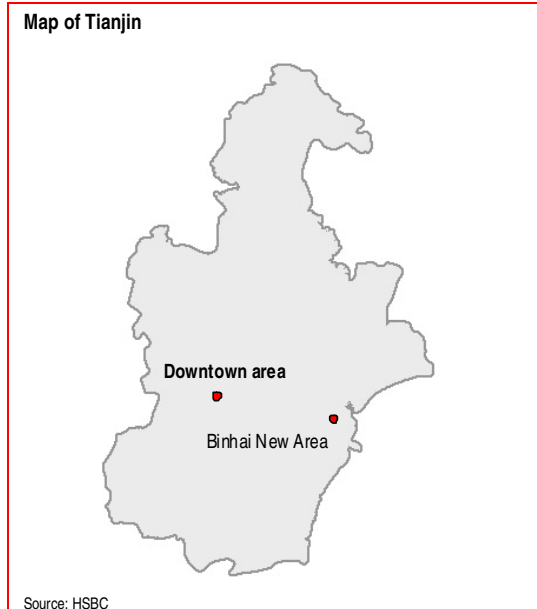
Source: CEIC, IMF, CIA, HSBC

high-end services, such as entertainment, retail sales, high-tech industry and consulting, leveraging its top research universities (e.g., Nankai University).

Five-year outlook

Largest oil refining and processing base

Tianjin aims to become the country's largest oil refining and processing base with an annual capacity of 31mn tonnes by the end of 2015, surpassing the current leader, Dalian of Liaoning province. Completion of the Sino-Russia refinery project would be the key driver for achieving that target.



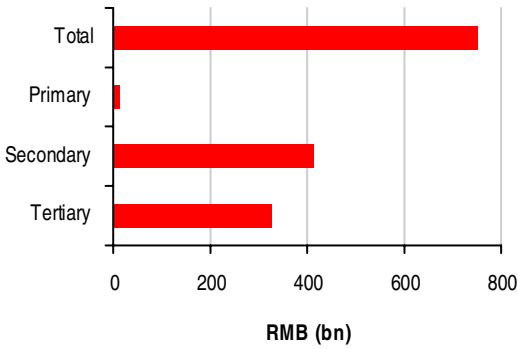
Top officials

Party Secretary: Zhang Gaoli (张高丽)

Governor: Huang Xingguo (黄兴国)

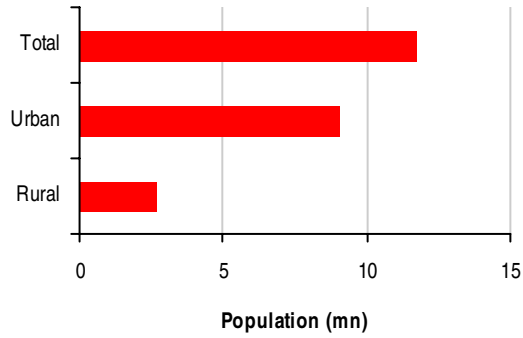
Key financial and demographic data

Annual gross domestic production 2009 - Tianjin



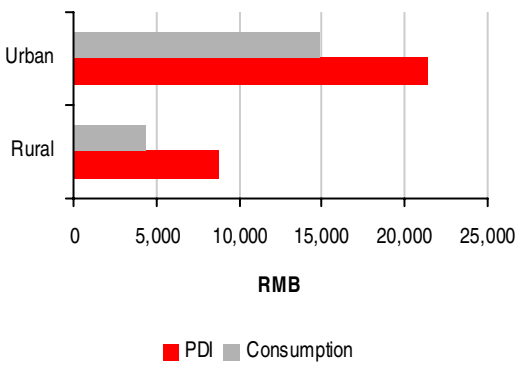
Source: CEIC

Urban and rural population 2009 - Tianjin



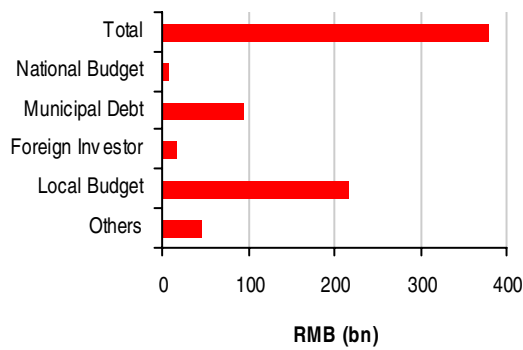
Source: CEIC

Personal disposable income and consumption 2009 - Tianjin



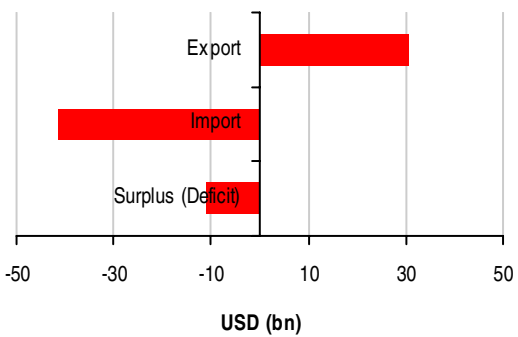
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Tianjin



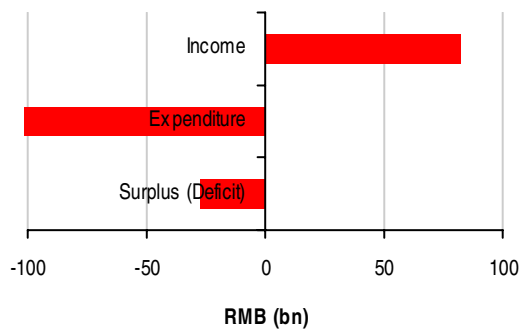
Source: National Bureau of Statistics of China

Foreign trade 2009 - Tianjin



Source: CEIC

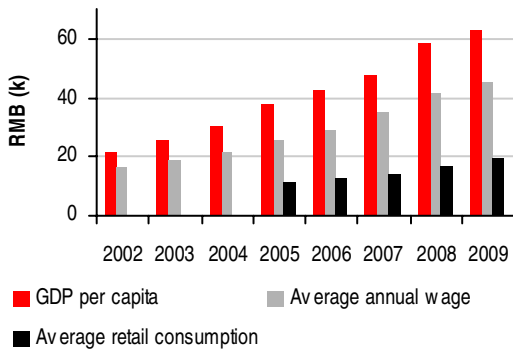
Government income and expenditure 2009 - Tianjin



Source: CEIC

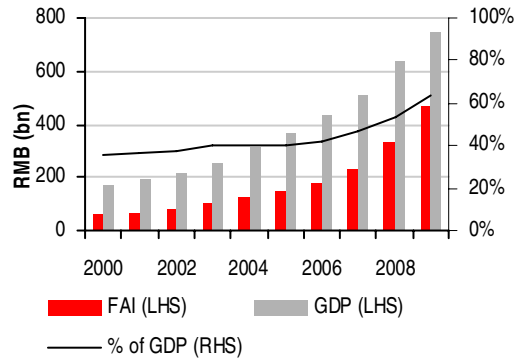
Key growth figures

Per capita income and consumption - Tianjin



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Tianjin



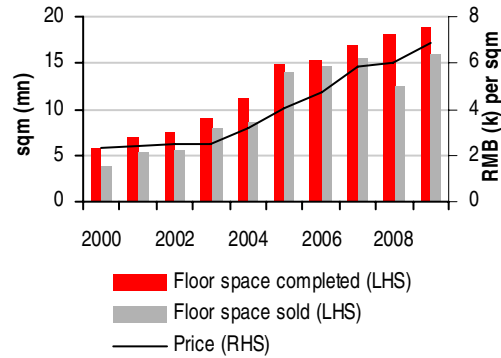
Source: CEIC, HSBC

Exports/imports - Tianjin



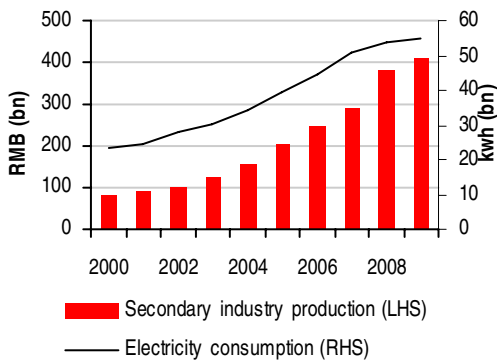
Source: CEIC

Commodity building volume and price - Tianjin



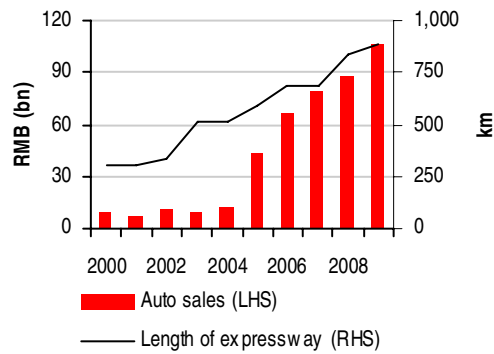
Source: CEIC

Secondary industry production and electricity usage - Tianjin



Source: CEIC

Auto sales and expressway growth - Tianjin



Source: CEIC

Zhejiang (浙江)

Size

Located in the centre of East China and south of Shanghai, Zhejiang has a population similar to South Africa, a land area the size of Iceland, the GDP of Venezuela and GDP per capita of Mauritius (or Malaysia).

Strengths

Dominant leader in private enterprises

Investors who had a glimpse of Alibaba and its founder Jack Ma in Hangzhou of Zhejiang might conclude that people there carry entrepreneurship DNA. Indeed, people in Zhejiang are more likely to start their own business than anywhere else in China and the local government's business-friendly policies push this regional tradition to another level. As a result, the province has the most seats (180) in the Top 500 Chinese Private Enterprises 2009, 51 more than the runner-up, Jiangsu. Among the top 10 privately-owned companies are Guangsha Group (广厦控股) and Hangzhou Wahaha Group (杭州娃哈哈集团).

Role model in SME-led growth

Zhejiang led the nation with the success of thousands of SMEs that created millions of jobs in both urban and rural areas, making Zhejiang one of the provinces with the smallest urban-rural income gap. Zhejiang leads all the provinces in the rankings of GDP per capita and average personal disposable income (PDI) in both urban and rural areas. Rising income led ten-fold growth in auto sales in Zhejiang for the last decade from RMB13bn in 2000 to RMB129bn in 2009.

Although FAI (about RMB1trn) remains a main engine for growth post crisis, its FAI to GDP ratio was only 0.43 in 2009 or 4th lowest, well below the national average of 0.6.

Zhejiang, the 4th largest economy in China, has successfully become an important manufacturer of electronics and other equipment, a large proportion of which are sold abroad. This makes Zhejiang the country's third largest exporter, while strengthening its traditional base in fisheries, agriculture and textiles.

Largest port city

The city of Ningbo in Zhejiang has China's and the world's largest port by freight throughput, mainly for raw material, crude oil and liquid natural gas, while the second-ranked Shanghai leads in container shipment. Port-related activities contributed RMB250bn to Ningbo's 2009 GDP.

Ningbo's position as a transportation hub has been strengthened further after over RMB10bn has been invested to improve its connection with other cities. For example, completion of the Hangzhou Bay Bridge, the world's longest trans-oceanic bridge, cuts commuting time between Shanghai and Ningbo from 4 to 2.5 hours.

Challenges

High property price

High income and lack of investment alternatives have driven the demand for commodity building with annual floor space sold expanded nearly five-fold in 2009, pushing the average price, which grew at a 16.7% CAGR for the last 10 years

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	52	10	South Africa	25
Area (sq km)	105,397	25	Iceland	101
Density (per sq km)	491	8	Korea	10
GDP (RMBbn)	2,283	4	Venezuela	27
GDP per capita (RMB)	44,641	4	Mauritius	70
GDP density (RMB per sqm)	22	6	Lebanon	26

Source: CEIC, IMF, CIA, HSBC

(fastest in the nation) to RMB7,788 per sqm, third highest in China.

Structural reform needed

A large proportion of manufacturers in Zhejiang competed in the past based on cheap price, low labour and resource cost and high volume. Such a strategy lacks durable competitive advantage long term, and there are signs of growth momentum tapering off. Zhejiang's 8.9% GDP growth in 2009 falls below its average rate of 12.4% for the recent decade and ranked the bottom 4th in the nation.

Five-year outlook

Focus on growth of the service sector

Service sector to grow faster than a CAGR of 12%, moving the services to GDP ratio up from 44% (2010) to 47% and to 55% by 2020.

Financial centre for small enterprises

Leveraging its thriving private enterprises, Zhejiang aims to become the SME Financial Centre and Private Investment Management Centre, building around Hangzhou, Ningbo and Wenzhou, three of China's private enterprise hubs.

Industrial development plan

A modern industrial zone that showcases economic transformation and scientific development will also be built around Hangzhou, Ningbo, Wenzhou and the surrounding area.

More railway

Joining the inter-provincial race for more railways, Zhejiang aims to more than double its railway coverage of 1,200km to 3,085km, and the majority are expected to be completed by 2015.



Major cities (by GDP)

Hangzhou (杭州, capital), Ningbo (宁波), Wenzhou (温州), Shaoxing (绍兴), Taizhou (台州), Jiaying (嘉兴), Jinhua (金华), Huzhou (湖州), Quzhou (衢州), Lishui (丽水), Zhoushan (舟山)

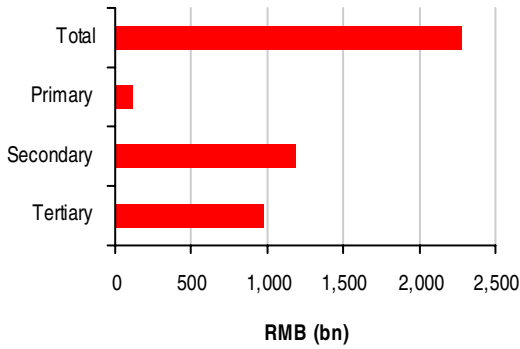
Top officials

Party Secretary: Zhao Hongzhu (赵洪祝)

Governor: Lu Zushan (吕祖善)

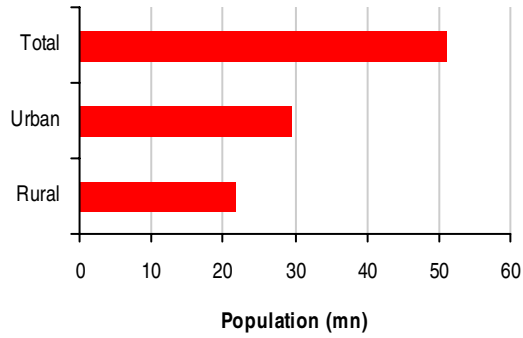
Key financial and demographic data

Annual gross domestic production 2009 - Zhejiang



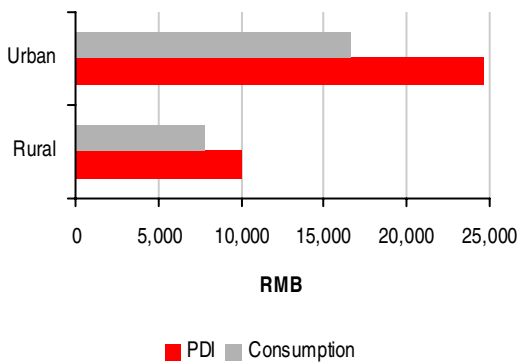
Source: CEIC

Urban and rural population 2009 - Zhejiang



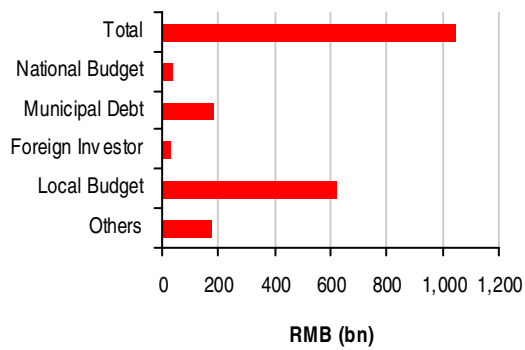
Source: CEIC

Personal disposable income and consumption 2009 - Zhejiang



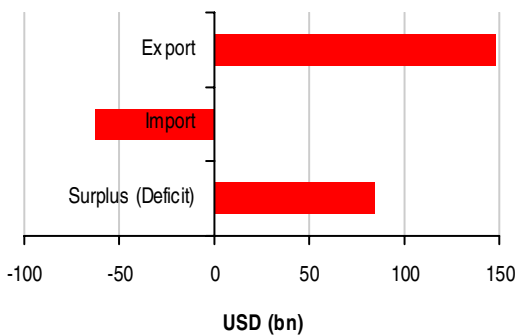
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Zhejiang



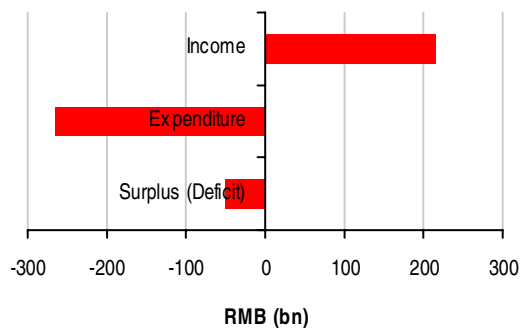
Source: National Bureau of Statistics of China

Foreign trade 2009 - Zhejiang



Source: CEIC

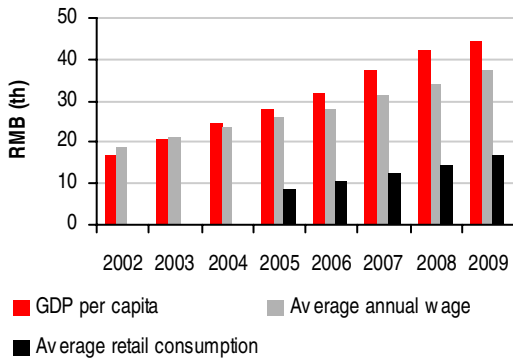
Government income and expenditure 2009 - Zhejiang



Source: CEIC

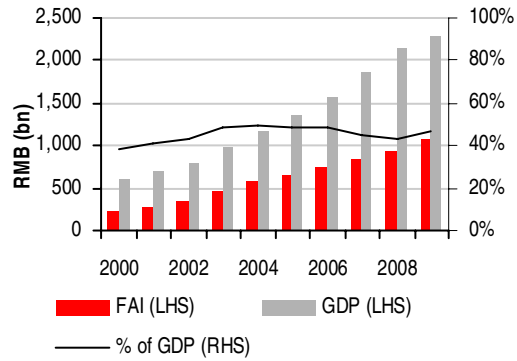
Key growth figures

Per capita income and consumption - Zhejiang



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Zhejiang



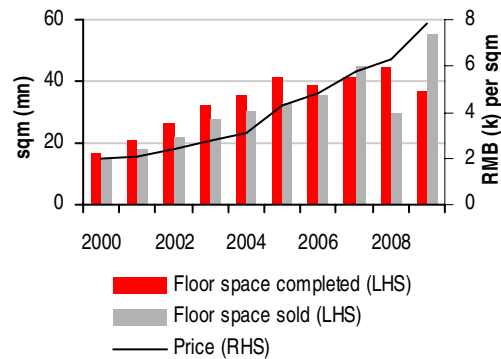
Source: CEIC, HSBC

Exports/imports - Zhejiang



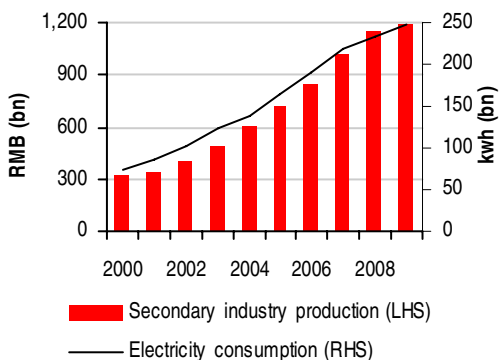
Source: CEIC

Commodity building volume and price - Zhejiang



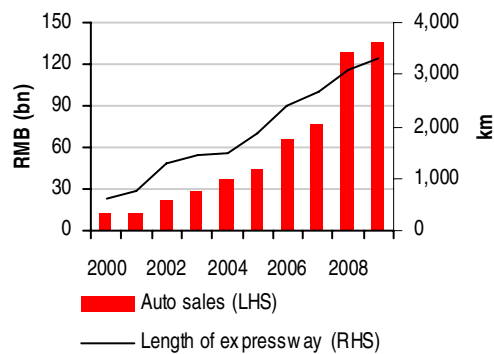
Source: CEIC

Secondary industry production and electricity usage - Zhejiang



Source: CEIC

Auto sales and expressway growth - Zhejiang



Source: CEIC

Western Region

- ▶ Poorest in GDP terms with income dependent on fiscal transfer
- ▶ China's "gas tank" with two-thirds of coal, 60% of natural gas and 40% of crude oil reserves; best region for wind and solar power
- ▶ Fastest growing since 2005, with Beijing pumping in RMB5.2trn since 2000

Figure 20: Map of the Western Region



The Western Region has a vast land size similar to Australia (or 71% of China's total area) and a population twice the size of Brazil. That makes its population density similar to Mexico (vs. Korea for the Eastern Region). Most of this region has a mountainous plateau landscape with more desert and grassland in the north and more forests in the south. The region's economy is also similar in size to Australia, but on a per capita basis it's more like Armenia.

Poor economy but rich in resources

The biggest and second-most populous region, the Western Region only accounts for 20% of the nation's GDP. An average province in the region has about RMB560bn GDP, which is a quarter of its peer provinces in the east of the country. The region has the lowest per capita GDP or less than half of the Eastern Region, and its residents' wages are highly dependent on the central government's fiscal transfer payments.

However, the Western Region holds strategic importance in terms of energy reserves. Two-thirds of China's proven coal reserves, over 60% of proven natural gas and 40% of estimated crude oil have been discovered in this area. Thanks to its environmental conditions, the region is also the most important area for developing renewable energy. Its northwest provinces have the best wind and solar power base in China. 77% of the estimated total usable hydro capacity (or 378GW) in China is in the Western Region with more potential yet to be explored. It is no exaggeration to say that the Western Region is China's gas tank.

Western region summary

	2009	Ranking	Comparable country	Rank as a country
Population (mn)	367	2	Brazil x 2	4
Area (sq km)	6,754,640	1	Australia	8
Density (per sq km)	54	4	Mexico	111
GDP (RMBbn)	6,687	3	Australia	17
GDP per capita (RMB)	18,206	4	Armenia	112
GDP density (RMB per sqm)	1	4	Iraq	118

Source: HSBC, CEIC, IMF, CIA

Growing fastest with massive FAI

However, the region has had the highest GDP growth rate of all China's regions since 2005 with a CAGR of 13.7%. Two of its top growth areas within the Region, Inner Mongolia and Shaanxi, have had GDP CAGRs of 19.3% and 14.7%, respectively, for the last five years, pushing up the region's share of GDP in China from 16.9% in 2005 to 20% currently.

The main driver of the region's growth is FAI – the FAI to GDP ratio in the region reached 0.74 in 2009. Provincial governments in the region have launched massive construction, aiming to double the length of railways and/or expressways in the next 3-5 years. Huge build-up of power generation plants and hydro projects, exploration of metal and energy resources and rising property development also add fuel to growth. FDI in the Western Region grew at a CAGR of 40% from 2005, increasing its national share from 5.4% in 2005 to 8.5% now.

Bank funding has played a key role; the region has the fastest growth rate for bank deposits (only region over 30%) and loans outstanding (only region over 35%).

Policy support from Beijing

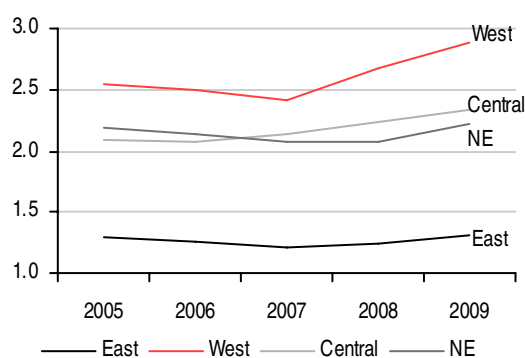
Beijing has pumped in RMB2.2trn since the launch of its China Western Development (西部大开发) plan in 2000, most of which was invested in major infrastructure construction, energy and petrochemicals, basic metal mining and animal husbandry. A total of RMB3trn fiscal transfer

payment has been made during the same period, which largely served to increase the region's wage level. According to Beijing's plan, the first 10 years of the Western Development plan is to build the basics, and 2010 to 2030 will see "growth acceleration" with more support from the central government expected.

Is the widening fiscal deficit a concern?

Investors have already begun to examine local governments' fiscal condition as concerns about the post-stimulus overhang have grown. Unlike their counterparts in the US, local governments in China have never assumed complete fiscal independence.

Figure 21: Govt. expenditure/revenue ratio by region



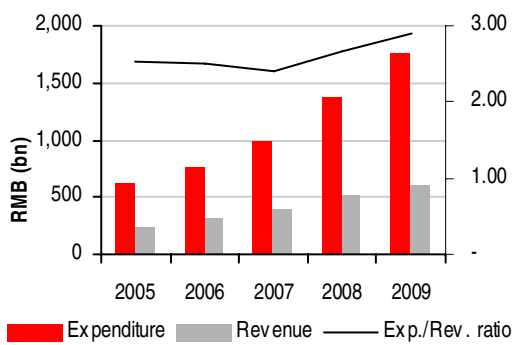
Source: CEIC, HSBC

Fig. 21 shows that governments in the Western Region have always been running much higher fiscal deficits than in the rich Eastern Region, reflecting persistent fiscal transfer or commitment from Beijing to support less developed regions. As such, a pickup in deficit across the regions, but especially in the poor West post the stimulus,

shown in Fig. 22, merely shows increased potential burden on the central government.

It's the lack of transparency and the potential knock-on impact of local government debt that is of greater concern, in our view.

Figure 22: Western Region government budget (total for all 12 provinces)



Source: CEIC, HSBC

Chongqing (重庆)

Size

Chongqing is located in the southwest central part of China, where a population the size of Nepal's lives equally in urban and rural areas. The city's land area is similar to the UAE. Its GDP is similar to Morocco's and its GDP per capita is close to Fiji's.

Strength

National focus in the West

Chongqing is at the forefront of China's drive to develop its less-developed interior provinces. It was spun off from Sichuan province and became China's 4th municipality directly under the State Council in 1997. The purpose of upgrading the administrative level of Chongqing is to set it apart as a core development zone that leads China's Western Development (西部大开发) plan. With the goal of developing into a world-class and highly liveable metropolis, Chongqing is to become the financial, industrial and commercial capital of inland China.

Impressive growth

Chongqing's GDP has increased rapidly in recent years at a CAGR of nearly 12% since 2000, to reach RMB653bn in 2009, and momentum is growing. Its GDP per capita increased to RMB23,000, still below China's average but on a very fast track. The wage growth rate in Chongqing was also among the highest in China but the gap between urban and rural PDI is still relatively large compared to most provinces. The economy's growth was mainly lifted by massive

FAI which in 2009 totalled RMB521bn, 31% more than in the previous year. Chongqing Construction Engineering Group (重庆建工集团) and Chongqing Iron and Steel (重庆钢铁) are the leading local companies that have benefited from the recent surge in growth.

Transportation hub and auto/motor centre

Chongqing easily connects with external markets through the Yangtze River that has a waterway capacity 20 times that of the Jing-Guang (Beijing to Guangdong) railway (京广铁路, China's main railway). Its position as a key transportation hub is further enhanced by air, rail and road connections while the completion of the Three Gorges Dam should lower its shipping costs.

Naturally, Chongqing has become the most important transportation equipment manufacturing base in Western China. It leads the nation in motorcycle production with 29.4% market share in terms of units produced as of 2008. It is the second largest automobile producer in China with 2.5mn cars produced in 2009. Many private transportation equipment manufacturers were born here and have become national players, such as Lifan Group (力帆集团), Loncin Holdings (隆鑫控股), and Zongshen Industrial Group (宗申产业集团).

Towards a new industrial base

In addition to auto/motor manufacturing, Chongqing has a traditional heavy industrial base, for example, metallurgy due to demand from manufacturing and abundant reserves. Besides, its natural gas production accounts for 10% of China's total production.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	29	20	Nepal	43
Area (sq km)	82,269	26	United Arab Emirates	108
Density (per sq km)	348	11	Belgium	15
GDP (RMBbn)	653	23	Morocco	58
GDP per capita (RMB)	22,920	13	Fiji	101
GDP density (RMB per sqm)	8	12	Norway	45

Source: CEIC, IMF, CIA, HSBC

To move up the value chain and improve energy efficiency, Chongqing made a strategic move in 2009 to become a high-tech manufacturing base and reached several agreements with the world's leading IT companies to build plants in Chongqing with significant production capacity. The most noteworthy example is the establishment of Hewlett Packard's laptop manufacturing base with annual capacity of 20 million units, followed by large contracts with Foxconn.

Healthcare is another high value-added growth area where Chongqing has shown early success. Already, Chongqing Biochemical Holding (重庆化医控股) and Taiji Group (太极集团), two leading players in healthcare, have joined the city's top 5 largest companies.

Potential as an international trade centre

Although it is a deep inland city (at least 2,000km from the coast), Chongqing aims to become an international trade hub via railway link to Europe. For example, it will take only 13 days from Chongqing to Germany via the Chongqing-New Europe International Railway Transport Channel (渝新欧国际铁路联运大通道) which when completed will halve the normal shipping time.

Chongqing will simultaneously focus on normal trade, processing trade and trade services and aims to increase its trade volume from USD12bn this year (USD6.2bn in 2009) to USD100bn by 2012, 3 years ahead of 2015 (end of the next Five-Year Plan), a goal set in March this year.

Challenges

Financial centre – a challenging goal

Chongqing has made it clear that it wants to be a world-class financial centre, an ambitious goal that may compete head-on with the other three municipalities (Shanghai, Beijing and Tianjin) and a few other big cities such as Shenzhen and Xi'an. To differentiate its role from competitors,

Chongqing aims to become China's inland offshore financial settlement centre, for example, settlement for processing trade (加工贸易) and international e-commerce is expected to increase from the current USD100bn and USD10bn to USD200bn and USD50bn, respectively in the coming three to five years.

Environmental challenge

Chongqing's beautiful, mountainous scenery is often obscured by polluted air, partly attributable to heavy industry and construction activity. The Three Gorges Dam is a mixed blessing and adds uncertainty to the area's environmental future. The creation of the dam and associated reservoir may affect species in the area (some are endangered), reduce water quality in the surrounding areas, and may increase the likelihood of earthquakes and mudslides as well.

Five-year outlook

Continued fast growth

In its 12th Five-Year Plan, Chongqing yet again set a very aggressive annual real GDP growth target of 12.5%. Nominal GDP is expected to reach RMB1trn and RMB1.5trn by 2012 and 2015, respectively. Heavy FAI remains a key growth driver and Chongqing plans to spend a total of RMB4trn in the next 5 years.

To stimulate local private consumption, Chongqing aims to raise annual per capita urban income to RMB31,000, or a CAGR of 12%. Income growth will continue to lag GDP growth for the coming five years.

Five strategic industrial sectors

Chongqing has identified the following five areas as its strategic industrial growth sectors: railway, power generating equipment (including nuclear and wind power), new energy-sourced cars, information technology and energy-saving materials. A total of RMB1.5trn is ear-marked for

industrial investments, more than double the RMB700bn spending in the previous five years.

Xiyong Micro-Electronics Park (西永微电子产业园) and Free Trade Zone

Established in 2005 to the west of central Chongqing, Xiyong Micro-Electronics Park has already attracted significant investment from the likes of Hewlett Packard and Foxconn. By 2015, 80-100mn notebook PCs are expected to be manufactured there, bringing total production in Xiyong Park to RMB700bn in revenue terms. If the city of Kunshan (of Suzhou, Jiangsu province) maintains its current half of global market share, China by 2015 will provide more than 80% of the world's notebook PCs.

Xiyong is also expected to become China's largest Free Trade Zone with total trade volume of USD100bn, mainly in the IT industry.

Xiyong Park has already become the city's key driver of business activities and urbanization, and it has already attracted at least 16 leading global banks.

Liangjiang New Area (两江新区)

Similar to Shanghai's Pudong (浦东) or Tianjin's Binhai (滨海), Liangjiang New Area is the country's third deputy-ministerial level development zone, set up to spearhead growth in China's vast inland provinces. Jiangbeizui CDB in Liangjiang is designed to become Pudong's Lujiazui, the financial district in Shanghai. All of China's largest banks have already set up offices there.

A new Liangjiang bank is expected to be set up to fund growth in the New Area. The Liangjiang government under Chongqing municipality will inject RMB5bn and aims to raise another RMB20bn to set up a RMB25bn private equity fund. TPG, a top US private equity fund has already signed on with Liangjiang government for a RMB5bn venture capital fund.

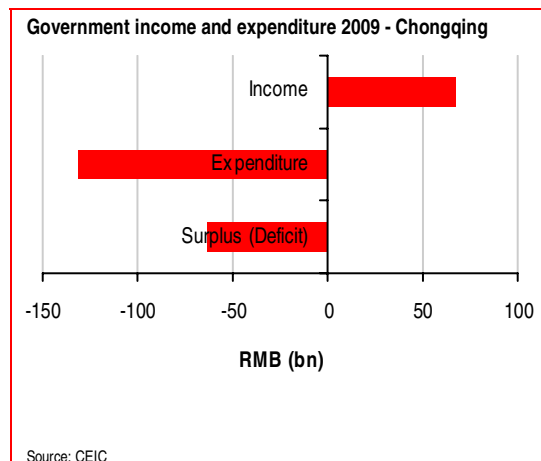
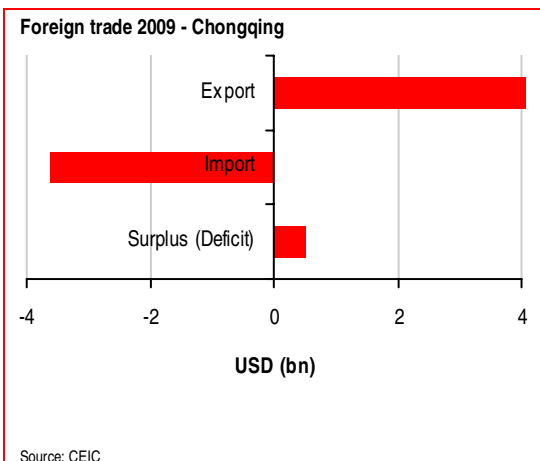
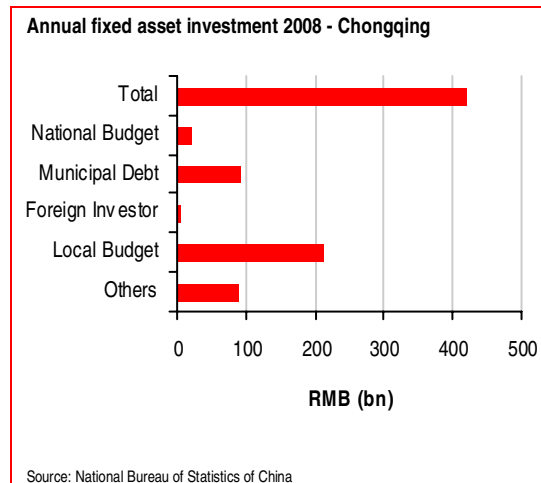
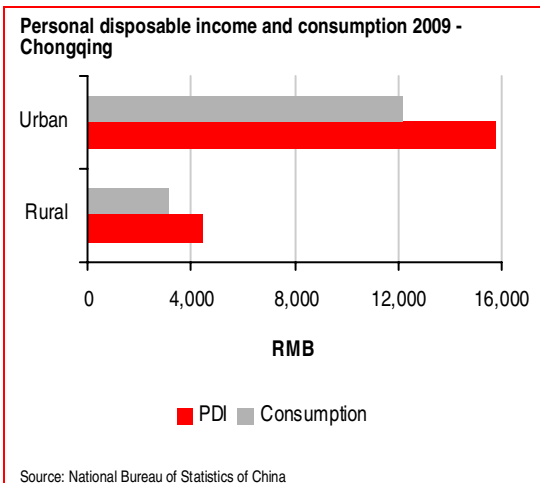
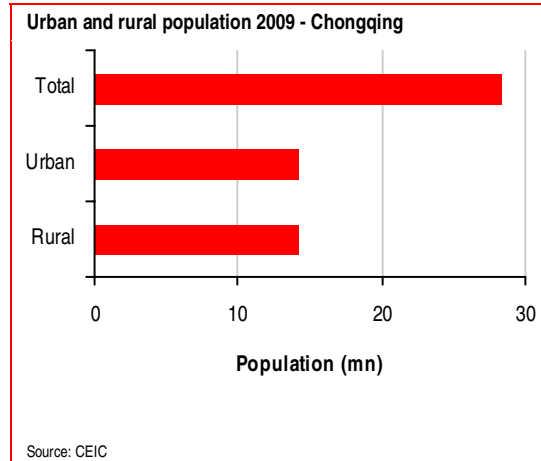
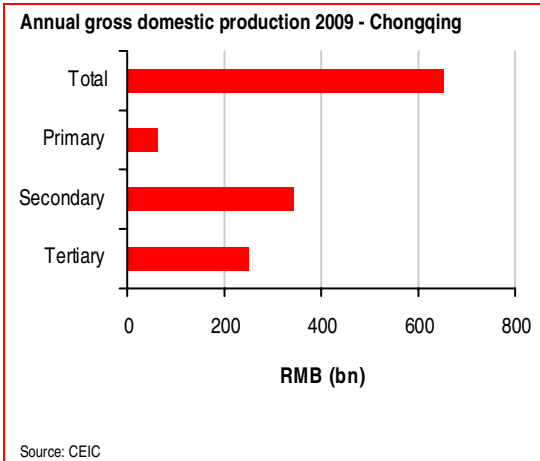


Top officials

Party Secretary: Bo Xilai (薄熙来)

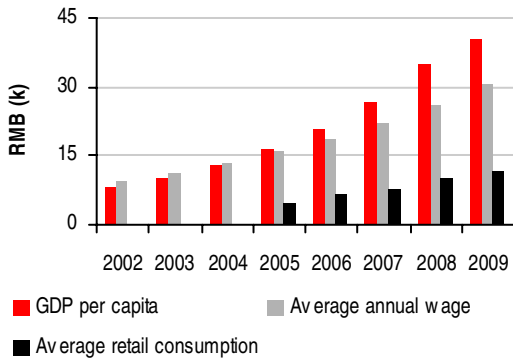
Governor: Huang Qifan (黄奇帆)

Key financial and demographic data



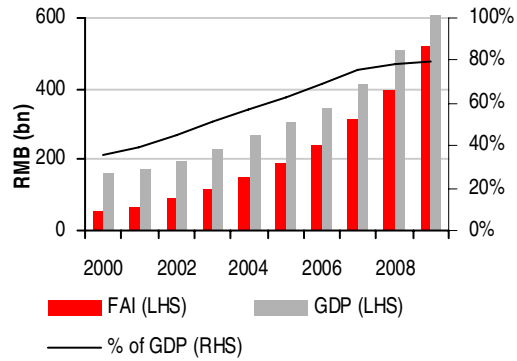
Key growth figures

Per capita income and consumption - Chongqing



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Chongqing



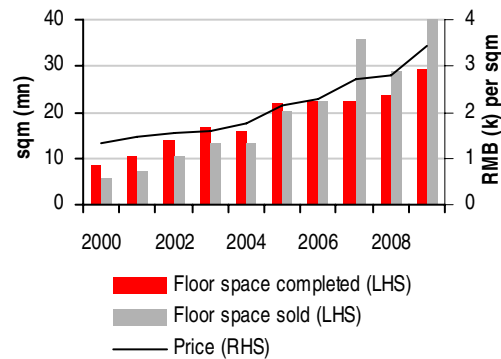
Source: CEIC, HSBC

Exports/imports - Chongqing



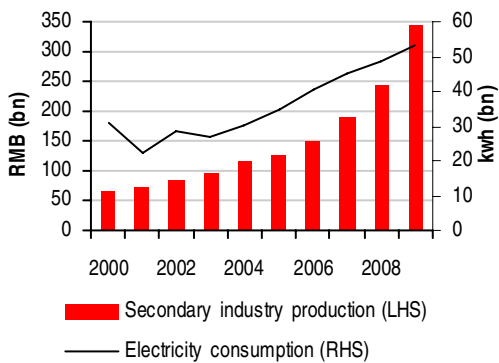
Source: CEIC

Commodity building volume and price - Chongqing



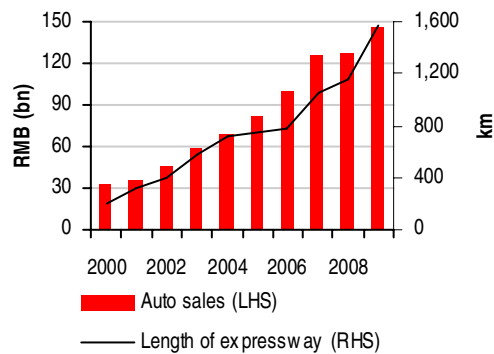
Source: CEIC

Secondary industry production and electricity usage - Chongqing



Source: CEIC

Auto sales and expressway growth - Chongqing



Source: CEIC

Gansu (甘肃)

Size

Located in the west of central China, Gansu has the population of Malaysia (26mn), the land area of Paraguay (7th largest in China), the GDP of Slovenia and GDP per capita of Honduras (also second poorest province in China).

Strengths

Renewable energy potential

The province has great potential to develop solar and wind power generation plants. The Hexi Corridor is a narrow, lower land path through the province that provides significant wind resources. Reportedly, a massive wind turbine construction plan is in process with estimated capacity of 5,000MW at the end of 2010. Solar power resources in Gansu are also substantial due to its strong solar radiation. Along with Tibet and Xinjiang, Gansu is one of the top provinces for solar energy potential.

Capital of nickel

The city of Jinchang, located in the middle of the province, is China's largest nickel production base. It has about 5.5mn tonnes of proven nickel reserves, the third largest in the world, and accounts for over 90% of the country's total. Jinchuan Group (金川集团) is the sole operator of all nickel mining, refining and processing activity in the city.

Strategic path to Xinjiang

Historically, the Hexi Corridor in Gansu has been one of the most important sections of the Silk

Road since it provides a long, narrow and flat pathway through western China's plateaus and deserts before reaching Central Asia and the Middle East. Currently, the longest and only two-way railway in western China runs through the Hexi Corridor, connecting Xinjiang with the rest of China. The Lanzhou Railway Administration Bureau, a state-owned enterprise, is one of the province's top three companies in terms of revenue.

Challenges

Still largely deserted

The province is one of the most deserted in China. Unfavourable weather conditions and a harsh environment discourage people from living there and companies from setting up business. The weakness of most industries leads to low GDP per capita, low wages and a large income gap that results in very low consumption.

Five-year outlook

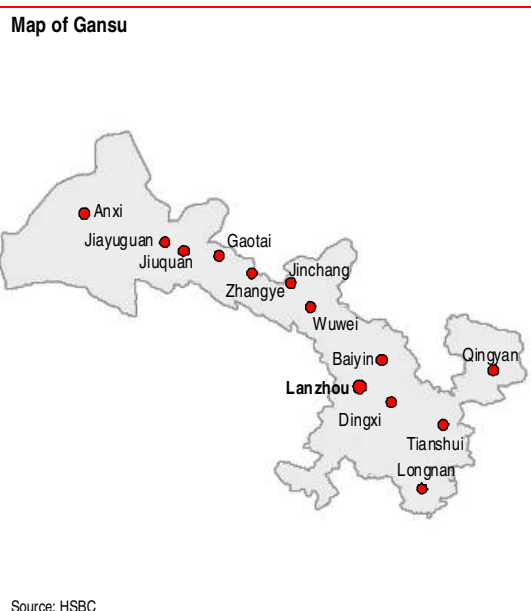
Continued double-digit growth

Gansu aims to achieve above 10% annual GDP growth for the next five years via significant FAI into five pillar industries and infrastructure build-out. These industries include: renewable energy, coal, chemicals, non-ferrous metal materials, pharmaceuticals and services. Gansu also plans to extend its transportation capacity significantly by increasing its expressway length to 3,600km from 1,665km in 2009 and its railway to 7,000km (nearly half of Spain's total) from 2,435km in 2008.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	26	22	Malaysia	45
Area (sq km)	404,091	7	Paraguay	56
Density (per sq km)	65	27	Senegal	98
GDP (RMBbn)	338	27	Slovenia	70
GDP per capita (RMB)	12,872	30	Honduras	120
GDP density (RMB per sqm)	1	28	Iceland	118

Source: CEIC, IMF, CIA, HSBC



Major cities (by GDP)

Lanzhou (兰州, capital), Qingyang (庆阳),
Jiuquan (酒泉), Baiyin (白银), Tianshui (天水),
Wuwei (武威), Jinchang (金昌), Pingliang (平凉),
Zhangye (张掖), Jiayuguan (嘉峪关),
Longnan (陇南), Dingxi (定西)

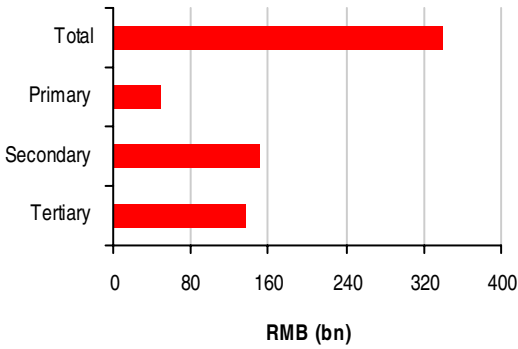
Top officials

Party Secretary: Lu Hao (陆浩)

Governor (acting): Liu Weiping (刘伟平)

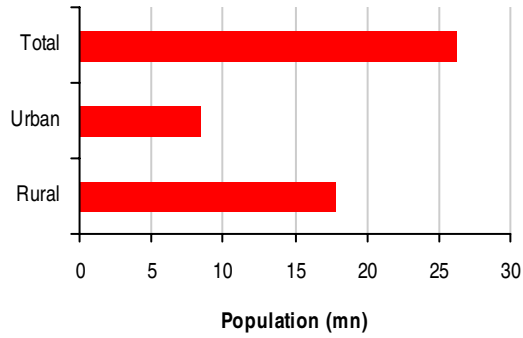
Key financial and demographic data

Annual gross domestic production 2009 - Gansu



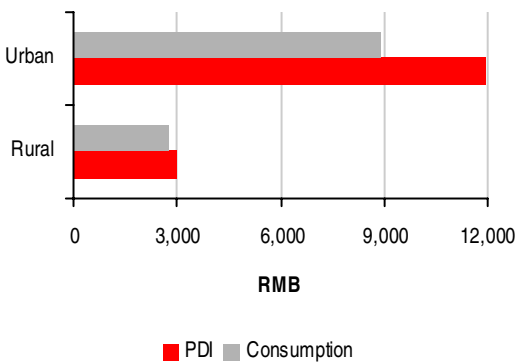
Source: CEIC

Urban and rural population 2009 - Gansu



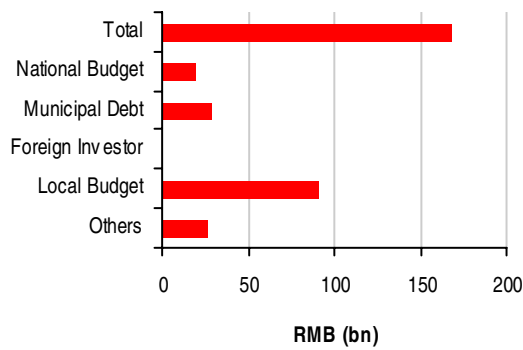
Source: CEIC

Personal disposable income and consumption 2009 - Gansu



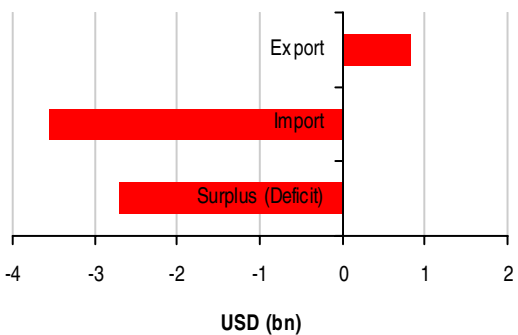
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Gansu



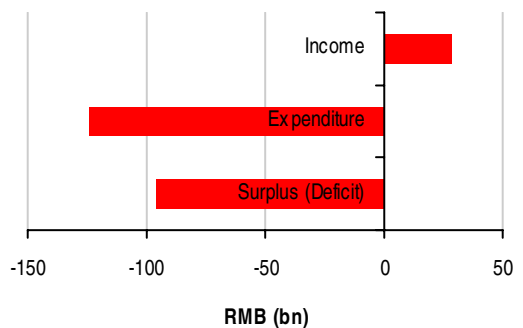
Source: National Bureau of Statistics of China

Foreign trade 2009 - Gansu



Source: CEIC

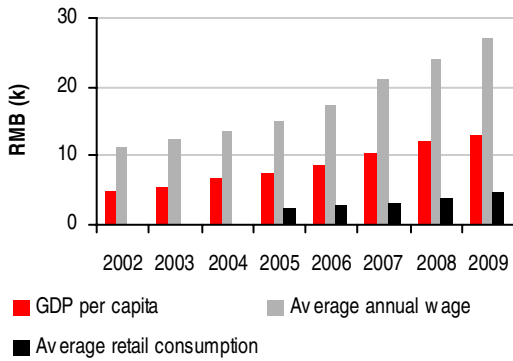
Government income and expenditure 2009 - Gansu



Source: CEIC

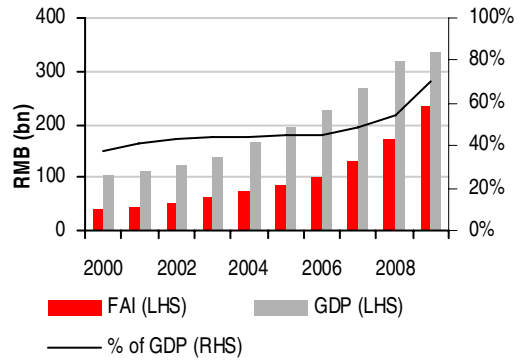
Key growth figures

Per capita income and consumption - Gansu



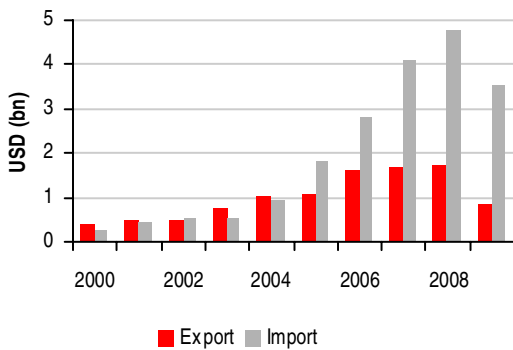
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Gansu



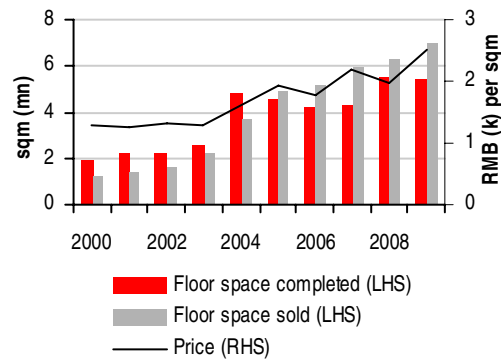
Source: CEIC, HSBC

Exports/imports - Gansu



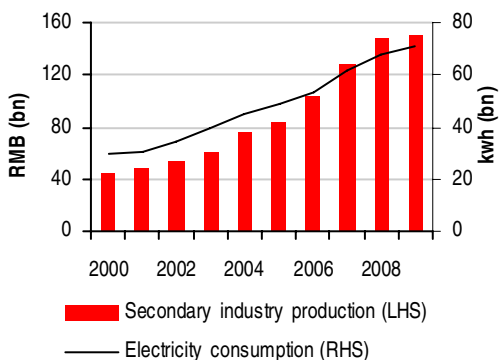
Source: CEIC

Commodity building volume and price - Gansu



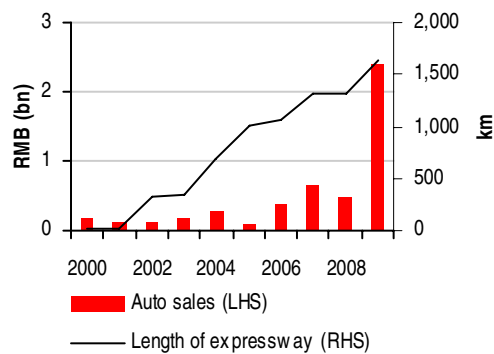
Source: CEIC

Secondary industry production and electricity usage - Gansu



Source: CEIC

Auto sales and expressway growth - Gansu



Source: CEIC

Guangxi Zhuang Autonomous Region (广西)

Size

Located in the south of China, connecting Guangdong and three other provinces and linked to Vietnam's north, Guangxi has 49mn people, the same population as Korea, most of whom live in rural areas. 38.5% of its population are the Zhuang ethnic minority, making Guangxi one of most ethnically diverse provinces in China. It has the land size of Romania (mainly mountainous), and GDP and GDP per capita similar to Ukraine and Paraguay, respectively.

Strengths

Agricultural base

Thanks to its weather and landscape conditions, Guangxi thrives on agricultural products and leads the country in sugarcane and silkworm products. Leveraging its high production of agricultural goods, Guangxi has developed a strong food processing industry.

Unlike its agriculture sector, Guangxi's industrial development is at a primitive stage. Most companies in this sector are small players, with the exception of Yuchai Group (广西玉柴机器), the province's largest company with RMB27.2bn revenue and one of China's top machinery manufacturers.

Tourist destination

Guangxi's beautiful mountains and lakes make it an attractive tourist destination. The primitive nature of its economy and little heavy industrial

output protect its environment and further enhance its natural beauty. Naturally, Guangxi consumes one of the smallest amounts of fossil energy in China, making it the fourth most energy efficient economy among all the provinces.

Strategic port to south Asia

Guangxi is the only province in China that has both land and water connections with South Asia. In 2008, the central government upgraded the Beibu Gulf Economic Zone in the south of Guangxi as a national level strategic international cooperation zone to strengthen China's relationship with ASEAN (Association of Southeast Asian Nations). Beijing has provided significant funding to Guangxi, especially to develop the southern part of the province.

It is worth noting that Guangxi is also a strategically important military post, especially in the event that China's access to the Pacific Ocean is blocked.

Infrastructure boom

A 40% increase in FAI to RMB524bn lifted Guangxi's economy in 2009. Most of this was spent on infrastructure construction, especially for transportation to connect the Beibu Gulf Zone with the provincial capital and other areas. For example, a 3,000km new railway project was launched that will cost RMB222bn, or more than the sum of spending over the last ten years, to more than double the length of its existing railway. Highway construction of a similar scale was also launched in 2009. Guangxi Construction Engineering Group (广西建工集团) and Guangxi

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	49	11	Korea	26
Area (sq km)	237,558	9	Romania	78
Density (per sq km)	204	20	Pakistan	33
GDP (RMBbn)	770	18	Ukraine	55
GDP per capita (RMB)	16,045	27	Paraguay	117
GDP density (RMB per sqm)	3	21	Dominica	66

Source: CEIC, IMF, CIA, HSBC

Investment Group (广西投资集团) are the province's leading companies benefiting from the infrastructure boom.

Challenges

Low value-added and brain drain

Leading its western peers, Guangxi lacks any meaningful high value-added industries and services and relies too heavily on agriculture and tourism. This results in low wages and the fourth largest rural and urban gap in personal disposable income (PDI). Consequently, Guangxi has a difficult time attracting and retaining talent and professionals, losing its own talent to more advanced provinces.

Five-year outlook

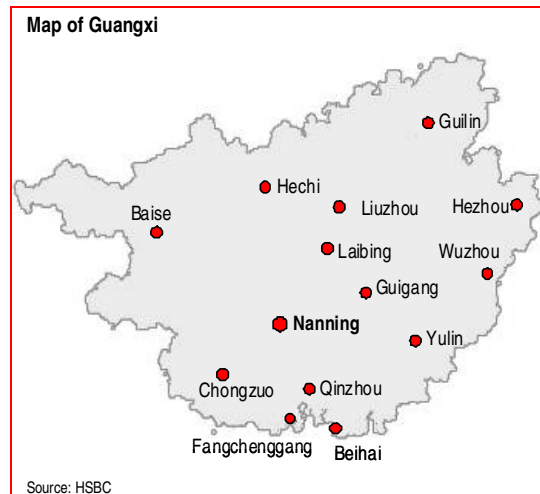
GDP growth still the paramount objective

Guangxi aims to raise its nominal GDP from RMB900bn (expected for 2010) to RMB1.8trn by the end of 2015 – about half the current GDP for top-ranked Guangdong province – and at least double its fiscal revenue in five years (2011-2015). Guangxi more than doubled its GDP in the current or 11th Five-Year Plan period (2006-2010) when GDP jumped from RMB390bn to RMB900bn.

Officials in Guangxi believe that to narrow the gap with the developed regions, Guangxi has to set aggressive growth targets and cannot afford to merely emphasize growth quality.

Massive FAI and industrial development

Guangxi aims to raise its FAI from RMB800bn in 2010 (vs. GDP of RMB900bn) to RMB1trn every year during the next five-year period and to develop 14 industrial sectors with RMB100bn in annual sales in five of them, i.e., steel, petrochemicals, aluminium processing, food and machinery, to reach annual sales of RMB300bn.



Major cities (by GDP)

Nanning (南宁, capital), Liuzhou (柳州), Guilin (桂林), Yulin (玉林), Baise (百色), Wuzhou (梧州), Guigang (贵港), Qinzhou (钦州), Hechi (河池), Beihai (北海), Laibin (来宾), Chongzuo (崇左), Hezhou (贺州), Fangchenggang (防城港)

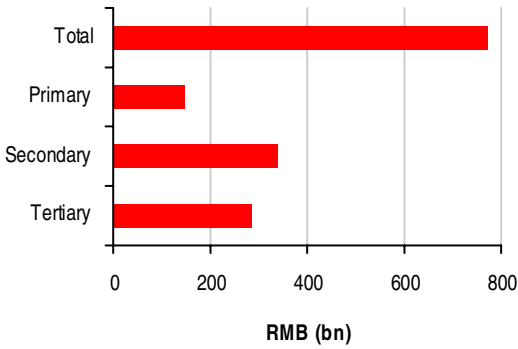
Top officials

Party Secretary: Guo Shengkun (郭声琨)

Governor: Ma Biao (马飏)

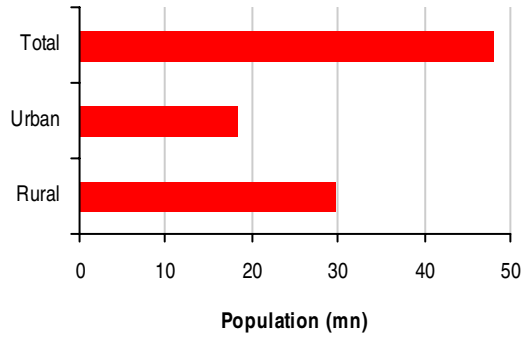
Key financial and demographic data

Annual gross domestic production 2009 - Guangxi



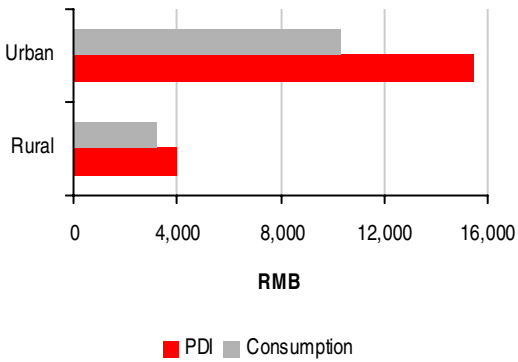
Source: CEIC

Urban and rural population 2009 - Guangxi



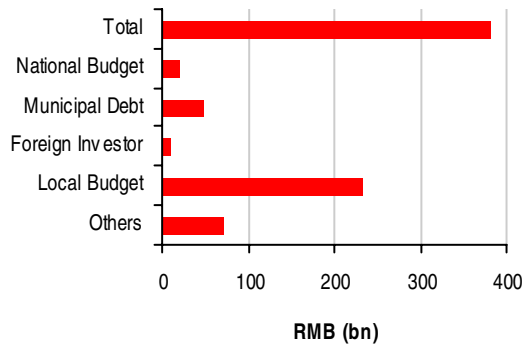
Source: CEIC

Personal disposable income and consumption 2009 - Guangxi



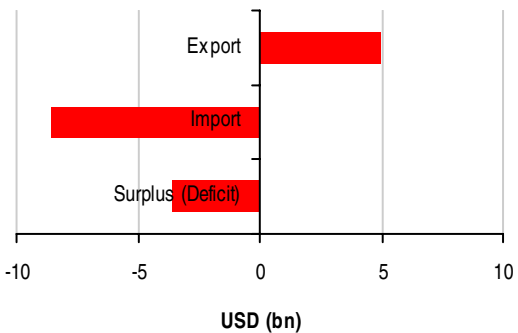
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Guangxi



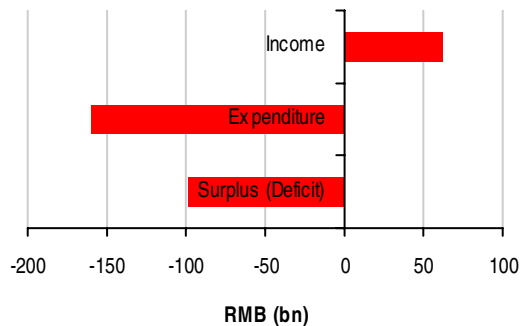
Source: National Bureau of Statistics of China

Foreign trade 2009 - Guangxi



Source: CEIC

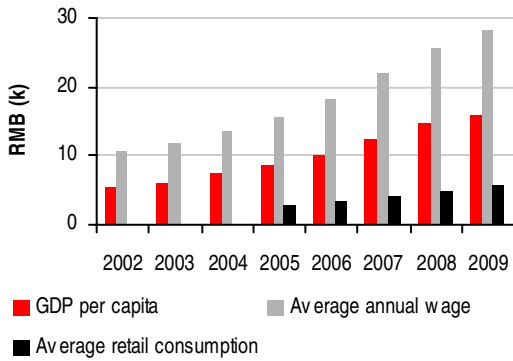
Government income and expenditure 2009 - Guangxi



Source: CEIC

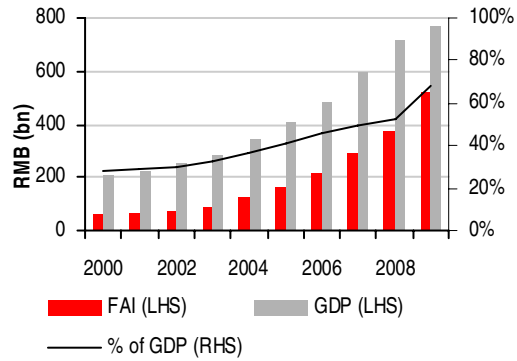
Key growth figures

Per capita income and consumption - Guangxi



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Guangxi



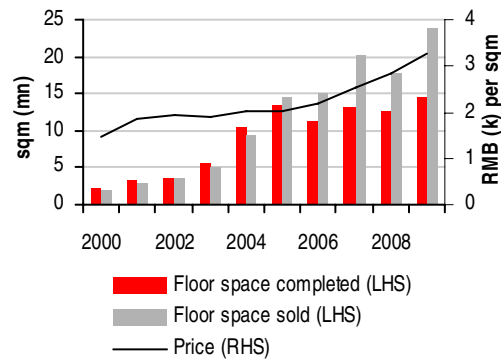
Source: CEIC, HSBC

Exports/imports - Guangxi



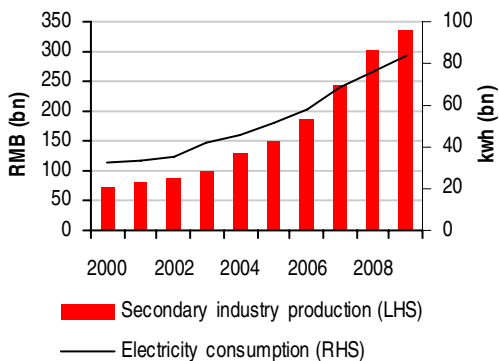
Source: CEIC

Commodity building volume and price - Guangxi



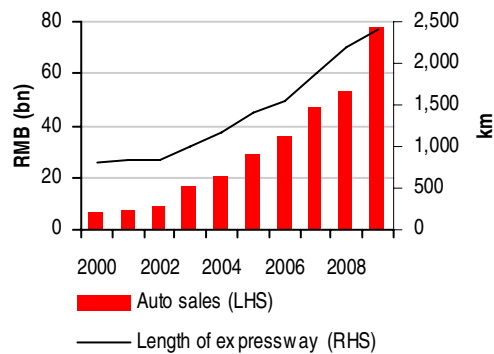
Source: CEIC

Secondary industry production and electricity usage - Guangxi



Source: CEIC

Auto sales and expressway growth - Guangxi



Source: CEIC

Guizhou (贵州)

Size

Located in the southwest of China, bordering Guangxi, Sichuan and three other provinces, Guizhou's population is the same size as Poland's, and only 29% live in urban areas. Its land area matches Uruguay's with 92.5% covered by mountains and hills, making Guizhou home to a large number of species. Guizhou's GDP is the size of Ecuador's (or Libya's) and its GDP per capita is less than Moldova's.

Strength

Tourist destination with great environment

Guizhou is rich in natural plants thanks to its subtropical humid climate and wide coverage of mountains. This great environment, one of the least polluted in China, makes Guizhou a natural tourist destination. However, transportation and accommodation bottlenecks due to poor facilities hold back the size and potential of its tourism industry.

Agricultural base and white wine

The humid tropical climate supports Guizhou's agricultural output that mainly includes rice, corn, tobacco and herbs. Its tobacco production is third highest in China. Leveraging these resources, Guizhou developed its light industry in tobacco, pharmaceuticals and food processing with two leading household names, China Kweichow Moutai Distillery (中国贵州茅台) and China Tobacco Guizhou (贵州中烟). In addition to tobacco and wine, Guizhou's clean environment enhances its image as a capital of "green foods".

Challenge

Poorest province awaits investment push

Guizhou is one of the poorest provinces in China. Its GDP in 2009 was RMB389bn; GDP per capita is only RMB10,258, the lowest in China. Its rural and urban personal disposable income (PDI) gap also ties with Yunnan as the largest in the country.

The province had RMB240bn FAI in 2009, a very low level among China's provinces. The investments are mainly focused on infrastructure, improving systems for using water, power generation and real estate. For example, as of 2009 the province had 1,983km of expressways, which ranks third lowest in the country on per capita expressway length. But soon that will be greatly increased since about 1,200km of expressway is currently under construction.

Five-year outlook

Growth, growth, growth

Guizhou's GDP and GDP per capita are expected to hit RMB430bn and USD1,700, respectively, in 2010, according to its official 12th Five-Year Plan. It plans to increase its GDP and GDP per capita to RMB800-1,000bn and USD3,000, respectively, by 2015, implying a 13-18% CAGR for the coming five years.

Sending electricity from West to East (西电东送)

Guizhou is rich in coal and has large coal power-generating capacity. In addition, it has huge hydroelectricity potential. It is an important power base in China's "Electricity from West to East" campaign. Already, about 12.2% of electricity in Guangdong, China's richest province, comes from

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	38	16	Poland	33
Area (sq km)	176,152	16	Uruguay	86
Density (per sq km)	216	19	Germany	31
GDP (RMBbn)	389	26	Ecuador	66
GDP per capita (RMB)	10,309	31	Moldova	126
GDP density (RMB per sqm)	2	24	Panama	81

Source: CEIC, IMF, CIA, HSBC

Guizhou, and in five years' time, that capacity will increase by 50% to 250bn kW.

The Guizhou subsidiary of China Southern Power Grid Corporation alone will invest RMB50bn in the next 5 years, making electric power the most important pillar industry in Guizhou.

Industrial output to hit RMB1trn

Guizhou aims to become a strong industrial base with annual industrial growth of 11.6% (vs. 10.2% in 2009) over the next five years to reach RMB1trn. Growth will be accompanied by structural changes as well that include a rebalancing of heavy and light industry from the current 70% and 30% to a more even level, and an increase in share of private enterprises from less than 33% (vs. the national average of 65%) to 50%.

Major cities (by GDP)

Guiyang (贵阳, capital), Zunyi (遵义),
Liupanshui (六盘水), Anshun (安顺)

Top officials

Party Secretary: Li Zhanshu (栗战书)
Governor: Zhao Kezhi (赵克志)

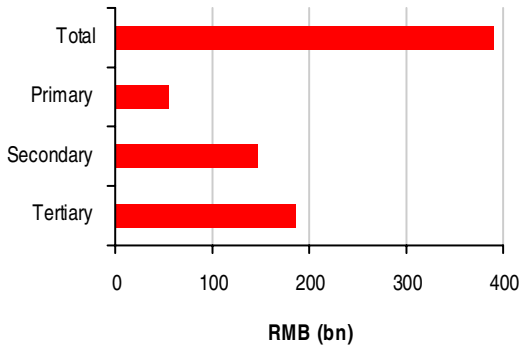
Map of Guizhou



Source: HSBC

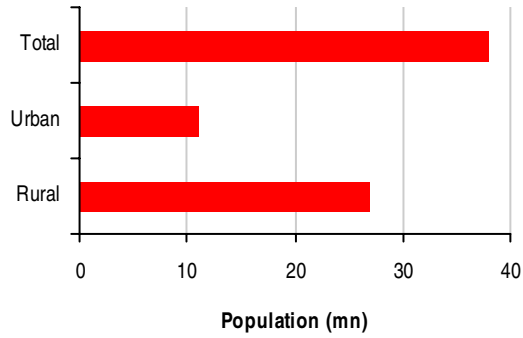
Key financial and demographic data

Annual gross domestic production 2009 - Guizhou



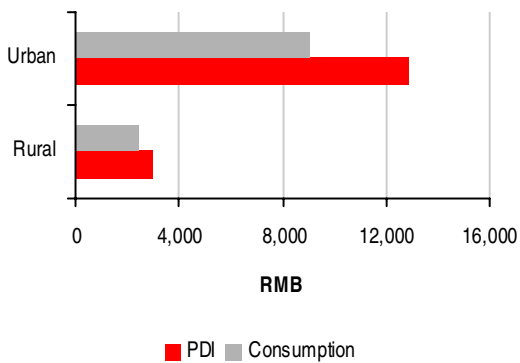
Source: CEIC

Urban and rural population 2009 - Guizhou



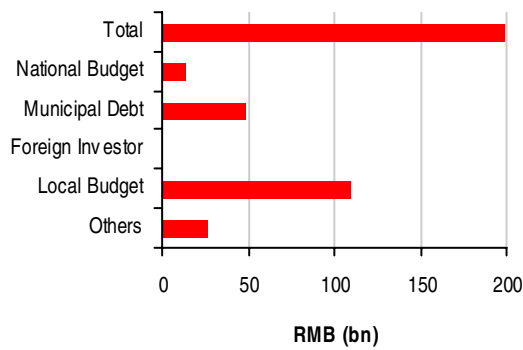
Source: CEIC

Personal disposable income and consumption 2009 - Guizhou



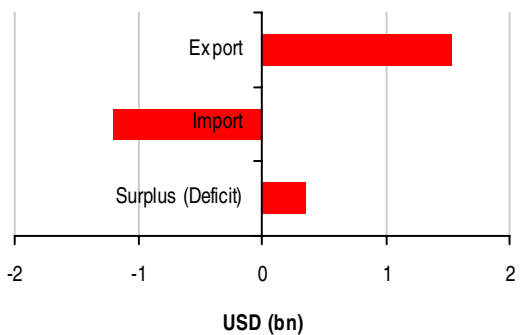
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Guizhou



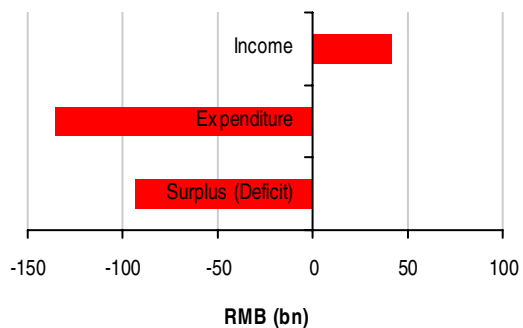
Source: National Bureau of Statistics of China

Foreign trade 2009 - Guizhou



Source: CEIC

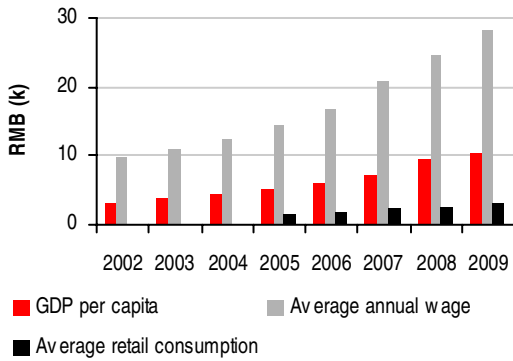
Government income and expenditure 2009 - Guizhou



Source: CEIC

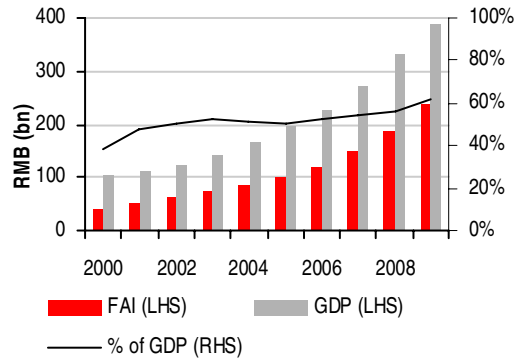
Key growth figures

Per capita income and consumption - Guizhou



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Guizhou



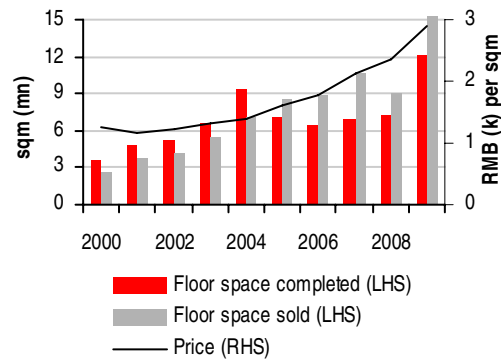
Source: CEIC, HSBC

Exports/imports - Guizhou



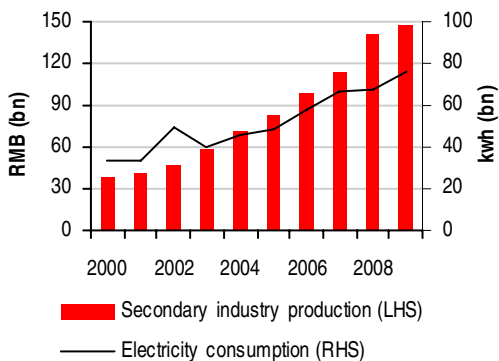
Source: CEIC

Commodity building volume and price - Guizhou



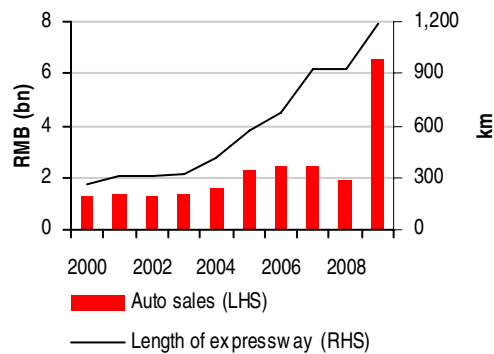
Source: CEIC

Secondary industry production and electricity usage - Guizhou



Source: CEIC

Auto sales and expressway growth - Guizhou



Source: CEIC

Inner Mongolia Autonomous Region (内蒙古)

Size

Spread across northeast and northwest China, Inner Mongolia is the country's third largest province, similar in size to Colombia. It has the population of Saudi Arabia, the GDP of Algeria and GDP per capita similar to South Africa.

Strength

Vast grasslands

Historically, Inner Mongolia's economy was based entirely on its grasslands. Although the total area has shrunk after hundreds of years of raising animals, Inner Mongolia still has a quarter of China's animal husbandry acreage and is the country's largest livestock producer (including cashmere, milk and meat). Inner Mongolia's Mengniu Dairy Group (蒙牛) and Yili Industrial Group (伊利) are China's two largest dairy product companies and Erdos Group (鄂尔多斯羊绒集团) is the leading producer of cashmere.

Coal and energy: strong momentum

Coal and massive discoveries of other energy and metal resources are the main reasons Inner Mongolia's economic growth has been more rapid than other provinces in recent years.

According to the 2007 National Mineral Reserves Report (2007年全国矿产资源储量通报), the region had 298bn tonnes of proven coal reserves, by far the most of any province. According to the EIA, in 2005 Inner Mongolia had almost a quarter of the world's total reserves. Its coal production in

2009 was 600m tonnes, overtaking the long term national champion, Shanxi, for the first time. In addition to coal, large natural gas and rare earth reserves have been discovered in the region. Inner Mongolia also has the largest usable wind power capacity of 5,000MW in China. For the last five years, it has been the country's largest supplier of electricity to the rest of the country.

Fastest FDI and GDP growth for a decade

An abundance of natural resources and the local government's liberal investment policies have created a powerful magnet for domestic and international funds. The FDI growth rate is the fastest in China – the 2000-08 CAGR of 50% represents an increase of 25 times over the period. The region also has the fastest GDP growth over the last decade, with its national ranking rising from 24th in 2000 to 15th in 2009, the biggest improvement in China.

With so many natural resources, Inner Mongolia also has impressive transport infrastructure. It has the longest railway network in the country (8,074km as of 2009), which is also No.1 on a per capita basis. Another 1,300km of track are under construction. Inner Mongolia is also ranked second on per capita expressways.

Top leadership support

In November 2009, one of China's youngest and most promising political stars, Hu Chunhua (胡春华), was appointed as Inner Mongolia's party secretary, a sign that the region's economy may experience further rapid development in coming years.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (m)	24	23	Saudi Arabia	46
Area (sq km)	1,145,121	3	Colombia	25
Density (per sq km)	21	28	Sweden	143
GDP (RMBbn)	973	15	Algeria	50
GDP per capita (RMB)	40,282	7	South Africa	74
GDP density (RMB per sqm)	1	27	Australia	116

Source: CEIC, IMF, CIA, HSBC

Per capita GDP poised to pass Hong Kong

Erdos (鄂尔多斯), population 1.5m, is the second largest city in Inner Mongolia and the richest (measured in per capita GDP) in mainland China amongst cities at prefecture-level and above.

Erdos is rich in coal and natural gas. Some 80% of its 87,000 sq km of land contains coal and 50% contains natural gas reserves. Its per capita GDP in 2009 reached RMB134,361 (USD20,000) and at the current pace it will surpass Hong Kong in 3 years. Erdos has also become China's luxury car capital, with the highest number per capita of Rolls-Royces, Ferraris, Jaguars and Mercedes-Benz.

Erdos has the vast majority of Inner Mongolia's 298bn tonnes of proven coal reserves (according to the National Mineral Reserves Report of 2007), or about one quarter of the world's total according to an estimate by the Energy Information Administration. The latest local government figure is as high as 702bn tonnes.

Challenge

Over-dependence on coal

The region's economy relies too heavily on coal and other energy and metal resources. The lack of diversification makes the region vulnerable to economy slowdowns and falls in demand.

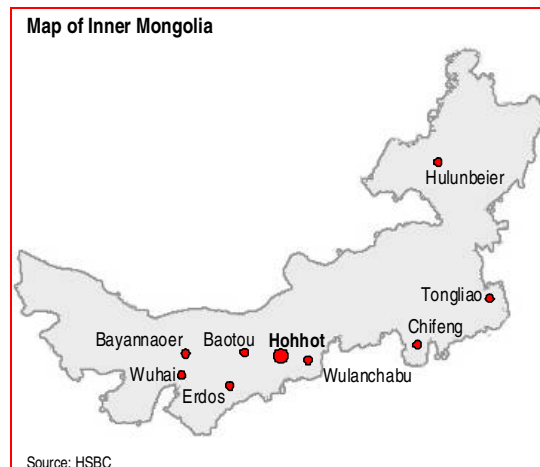
Energy efficiency and environment

All its major industries are energy intensive and environmentally unfriendly. The region is the third least energy efficient province in terms of fossil fuel consumption per unit of GDP.

Five-year outlook

National energy priority development area

Inner Mongolia has the potential to develop an impressive new energy industry based on its rich natural resources and low development costs. Led by the NDRC, a national research group with staff from 42 ministries is investigating this potential and preparing a report for the State Council. In addition to energy, the pharmaceutical, biotechnology, food and beverage, and materials industries should benefit significantly.



Major cities (by GDP)

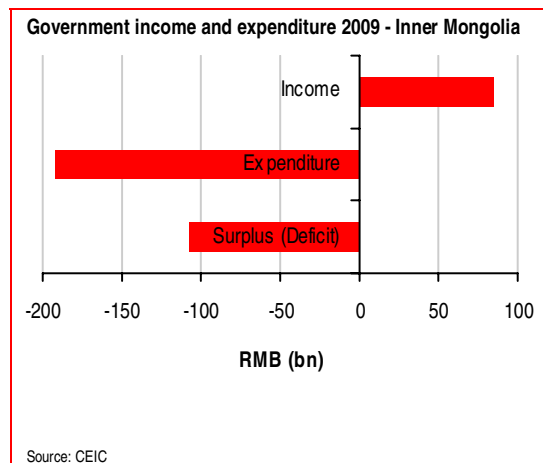
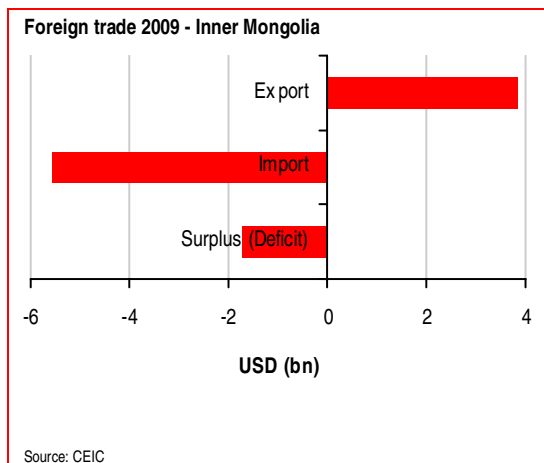
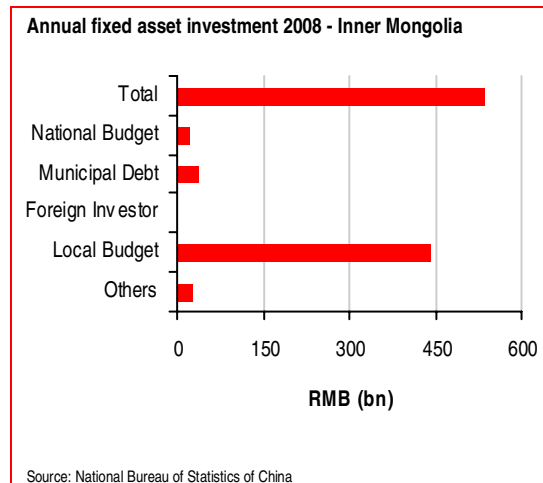
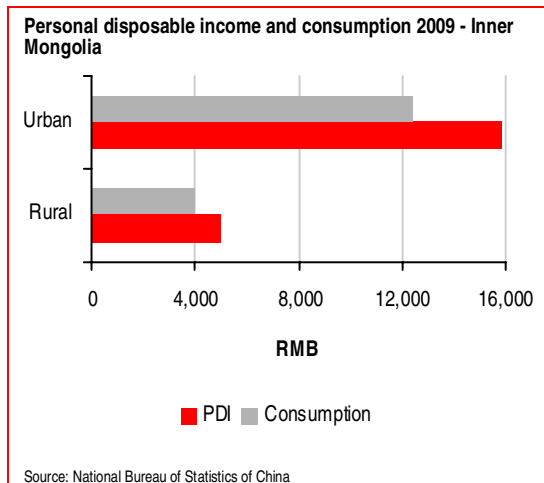
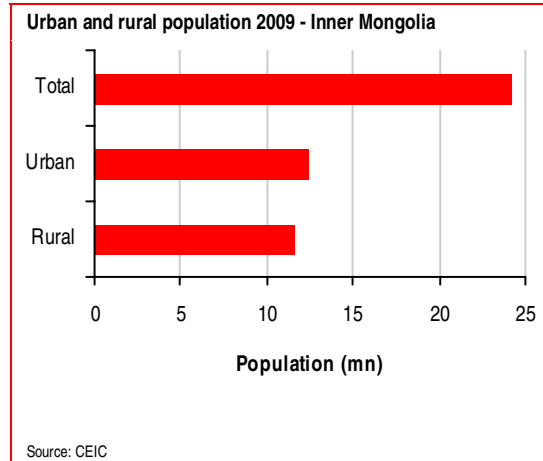
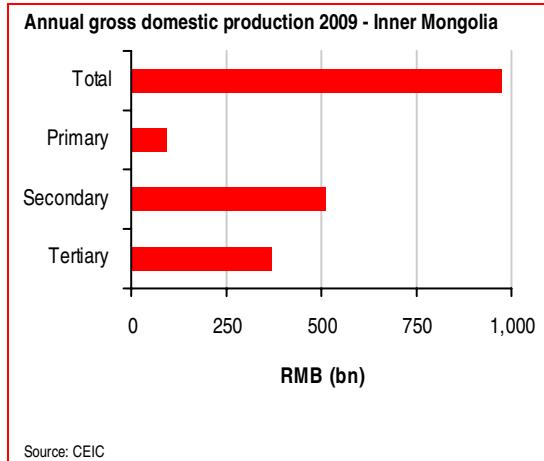
Baotou (包头), Erdos (鄂尔多斯), Hohhot (呼和浩特, capital), Tongliao (通辽), Chifeng (赤峰), Hulunbeier (呼伦贝尔), Bayannaer (巴彦淖尔), Wulanchabu (乌兰察布), Wuhai (乌海)

Top officials

Party Secretary: Hu Chunhua (胡春华)

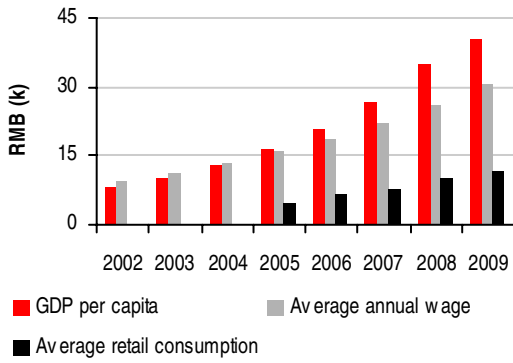
Governor: Bagatur (巴特尔)

Key financial and demographic data



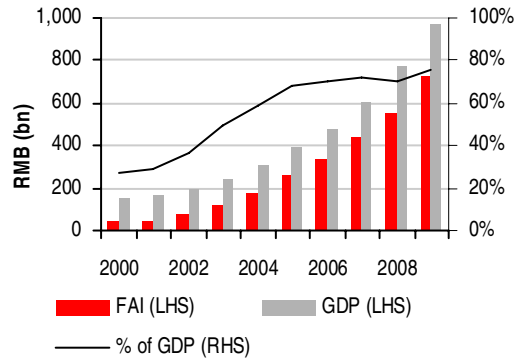
Key growth figures

Per capita income and consumption - Inner Mongolia



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Inner Mongolia



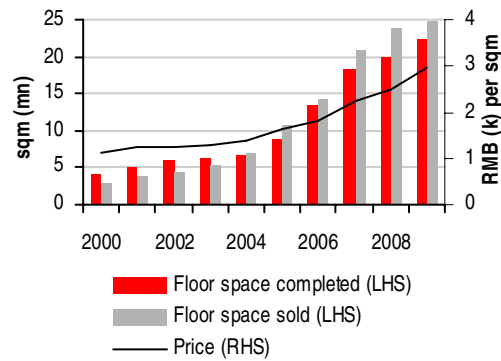
Source: CEIC, HSBC

Exports/imports - Inner Mongolia



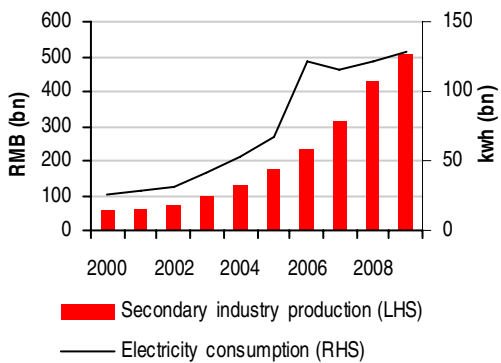
Source: CEIC

Commodity building volume and price - Inner Mongolia



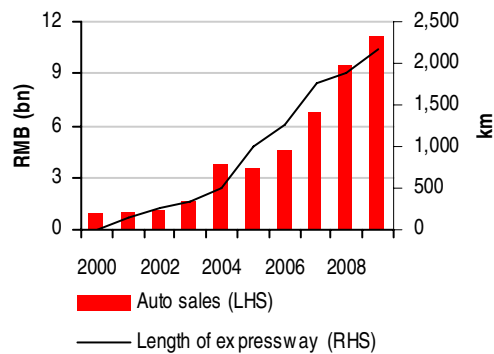
Source: CEIC

Secondary industry production and electricity usage - Inner Mongolia



Source: CEIC

Auto sales and expressway growth - Inner Mongolia



Source: CEIC

Ningxia Hui Autonomous Region (宁夏)

Size

Located in central western China, Ningxia has the same population as Paraguay, the land area of Croatia and a population density similar to Indonesia, a GDP of Estonia (or Bolivia) and a GDP per capita of RMB21,475 or USD3,250.

Strengths

Small player in a fast-growing zone

Ningxia is located between Inner Mongolia and Shaanxi, two of the fastest growing provinces in China during last five years with CAGRs of 19.3% and 14.7%, respectively. This has created more opportunities for Ningxia. FAI increased 30% in 2009 and has become the major driver of local growth. The rest of the economy also picked up, with the average wage rising 10% and average property prices 27%.

Challenges

Poor organic growth due to lack of resource and talent

Up to this point, much of Ningxia's economic growth has been derived from its booming neighbours. Its own fundamentals are still very weak. Ningxia has neither the rich natural resources of Inner Mongolia nor the talent that drives high value-added industries and services in Shaanxi, which has a large number of quality universities.

In contrast, Ningxia has to invest heavily to maintain its agricultural activities in the face of natural adversities such as a dry climate, a shortage of water, and sand storms. Unlike some poor regions with cheap labour, the average wage in Ningxia is higher than two-thirds of other provinces, making it less attractive for external manufacturers to relocate. At the same time, Ningxia does not have the population size to be a consumption hub.

Low energy efficiency

Ningxia's main industries, such as power generation, mining and related downstream industries like chemical material manufacturing and metal smelting, all consume large amounts of energy. This problem is further magnified by outdated equipment and technology that make the province the least energy efficient in China in terms of fossil fuel consumed for each RMB of GDP generated.

Five-year outlook

Another jump in FAI

The 30% annual growth rate in FAI will remain the key growth driver for the next 5 years, reaching RMB1.44trn, or more than 3 times the equivalent spending over the last 5 years (RMB451bn).

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	6	29	Paraguay	102
Area (sq km)	51,954	27	Croatia	119
Density (per sq km)	120	24	Indonesia	55
GDP (RMBbn)	133	29	Estonia	99
GDP per capita (RMB)	21,777	18	Tonga	103
GDP density (RMB per sqm)	3	23	India	76

Source: CEIC, IMF, CIA, HSBC

Map of Ningxia



Source: HSBC

Major cities (by GDP)

Yinchuan (银川, capital), Shizuishan (石嘴山),
Wuzhong (吴忠), Zhongwei (中卫), Guyuan (固原)

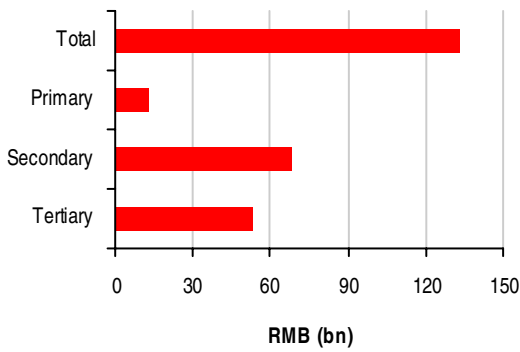
Top officials

Party Secretary: Zhang Yi (张毅)

Governor: Wang Zhengwei (王正伟)

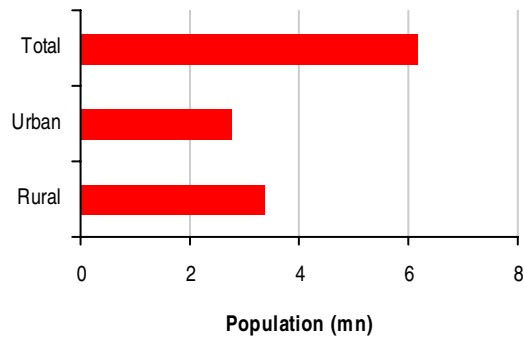
Key financial and demographic data

Annual gross domestic production 2009 - Ningxia



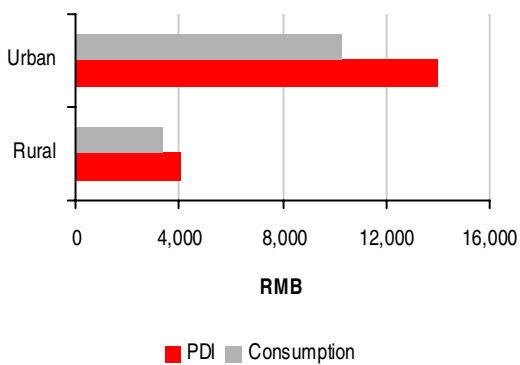
Source: CEIC

Urban and rural population 2009 - Ningxia



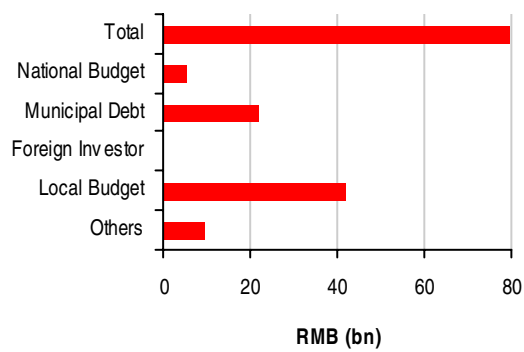
Source: CEIC

Personal disposable income and consumption 2009 - Ningxia



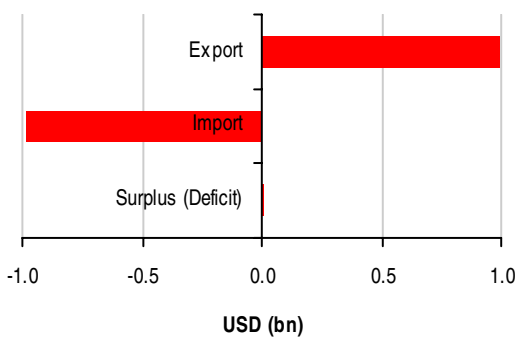
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Ningxia



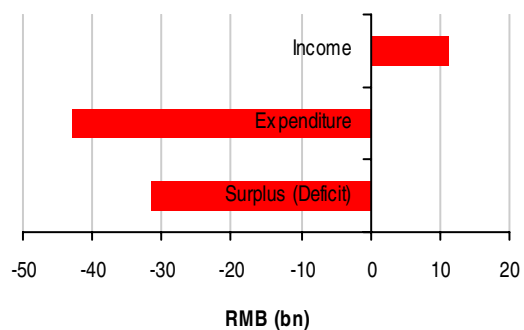
Source: National Bureau of Statistics of China

Foreign trade 2009 - Ningxia



Source: CEIC

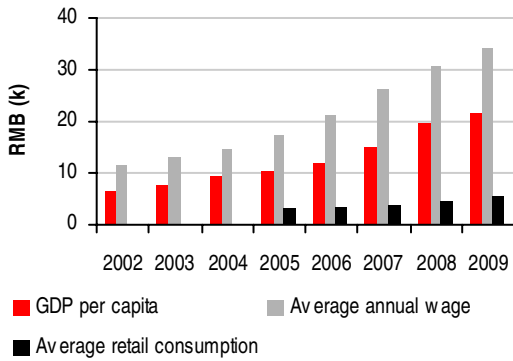
Government income and expenditure 2009 - Ningxia



Source: CEIC

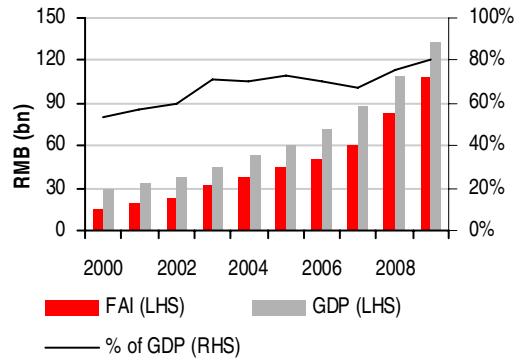
Key growth figures

Per capita income and consumption - Ningxia



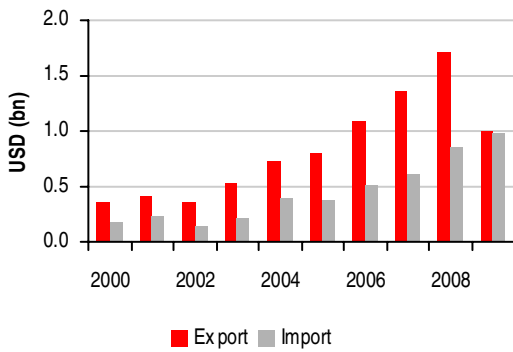
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Ningxia



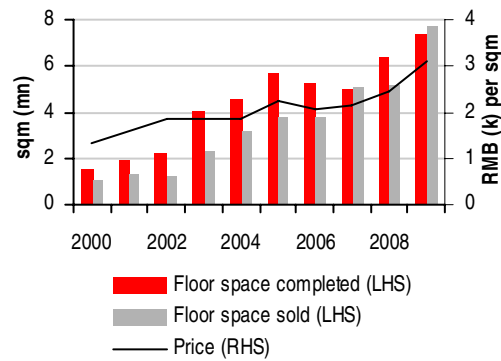
Source: CEIC, HSBC

Exports/imports - Ningxia



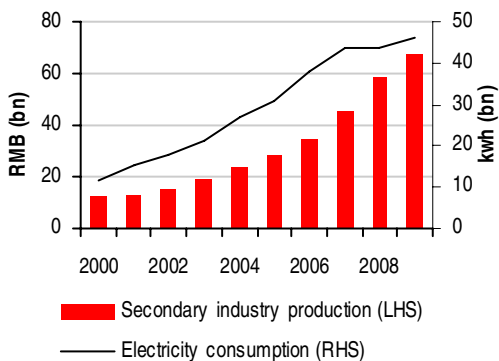
Source: CEIC

Commodity building volume and price - Ningxia



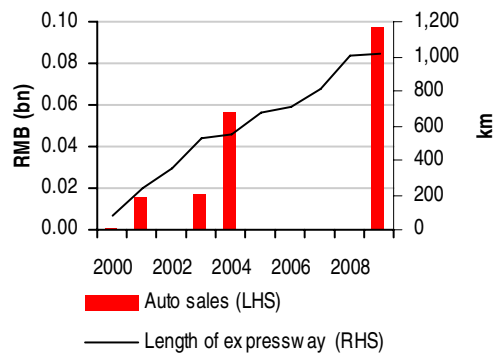
Source: CEIC

Secondary industry production and electricity usage - Ningxia



Source: CEIC

Auto sales and expressway growth - Ningxia



Note: automobile sales data are not available for 2005 - 2008
Source: CEIC

Qinghai (青海)

Size

Located in northwest China, Qinghai is the nation's fourth largest province with an area the size of France. It has a population similar to Denmark and one of the lowest population densities in the country. Qinghai's GDP is similar to Uganda, the second smallest in China, with a per capita GDP the size of Guatemala (or Morocco).

Strengths

Salt lakes

Qinghai has around 38 salt lakes, including China's largest, Qinghai Lake (青海湖), after which the province is named. They contain large quantities of lithium, potassium and magnesium and account for more than 90% of China's total reserves.

According to a report published in China's 21st Century Economic Report, the Chai-Da-Mu or Qaidam Basin (柴达木盆地) alone has an estimated RMB16.27trn worth of a wide range of natural resources.

The lakes also offer spectacular views, making tourism a pillar industry in Qinghai's tertiary sector.

Source of major rivers

Qinghai is the source of three major rivers in China – the Yangtze River (长江), Yellow River (黄河) and Lancang River (澜沧江). In theory, its total hydropower capacity of 21.8GW could almost match the Three Gorges Dam project. Twelve dam hydro plants have been completed or are under construction, with total capacity of 11.5GW. The

abundance of water resources makes Qinghai one of the largest grasslands in China, producing millions of livestock for other provinces.

Railway entry to Tibet

In 2006, the Qingzang (青藏) railway opened, making Qinghai the only province to be linked with Tibet by railway. In the future, as economic development and mining industry progress in both Qinghai and Tibet, the route will be a significant asset for Qinghai to draw in investment and resources.

Challenges

Primitive stage of development

Qinghai is at the bottom end of provincial ranking across most categories: it ranks second lowest in population, GDP, FAI, property price and length of expressways. The province needs significant investment in infrastructure to capitalise on its salt lakes, hydropower and other natural resources. Despite all these natural resources, Western Mining Group (西部矿业集团 Qinghai) is only ranked 337th in China's Top 500 list.

Apart from the capital, Xining, where 40% of the total population lives, producing 46% of GDP, the rest of the province is largely undeveloped.

Five-year outlook

Green focus

Qinghai will focus on a number of solar, wind and other low-carbon energy projects, taking advantage of its natural resources. In the coming years it will also seek to develop its metal resources as well as non-metal and building materials technology.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	6	30	Denmark	106
Area (sq km)	717,481	4	France	40
Density (per sq km)	8	30	Russia	166
GDP (RMBbn)	108	30	Uganda	102
GDP per capita (RMB)	19,454	22	Guatemala	107
GDP density (RMB per sqm)	0.15	30	Zambia	165

Source: CEIC, IMF, CIA, HSBC



Major cities (by GDP)

Xining (西宁, capital)

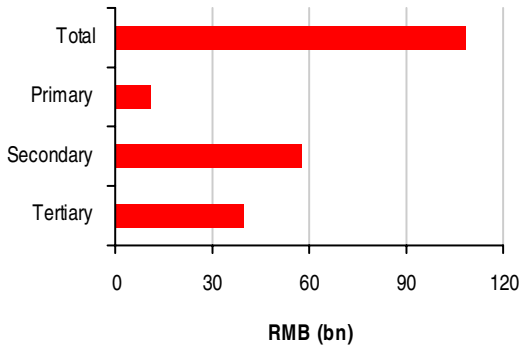
Top officials

Party Secretary: Qiang Wei (强卫)

Governor: Luo Huining (骆惠宁)

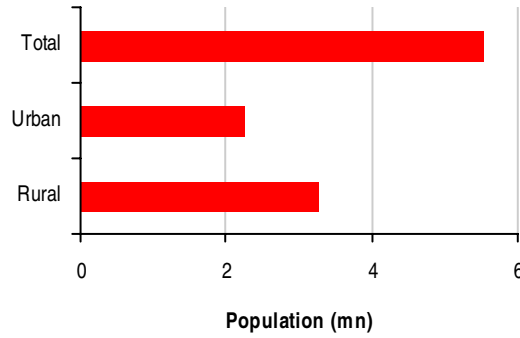
Key financial and demographic data

Annual gross domestic production 2009 - Qinghai



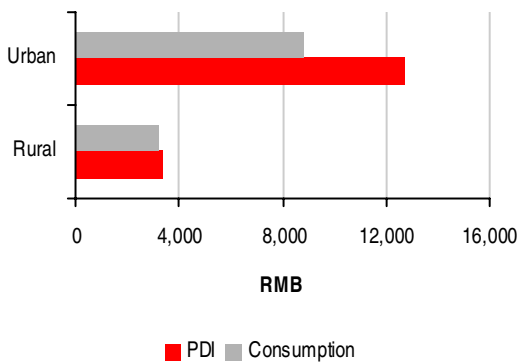
Source: CEIC

Urban and rural population 2009 - Qinghai



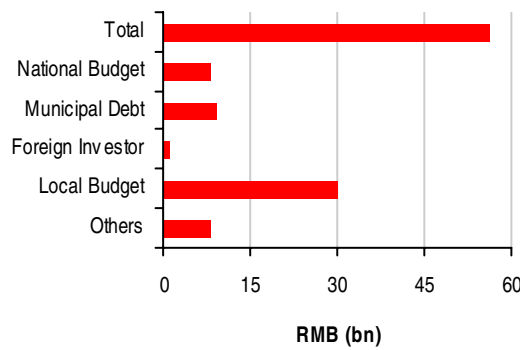
Source: CEIC

Personal disposable income and consumption 2009 - Qinghai



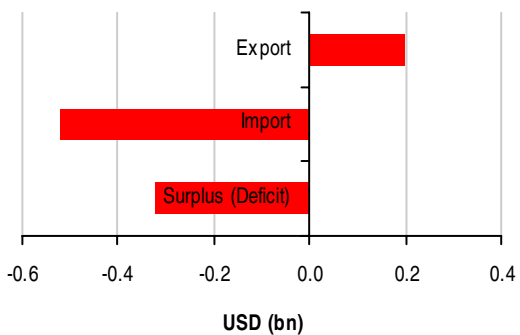
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Qinghai



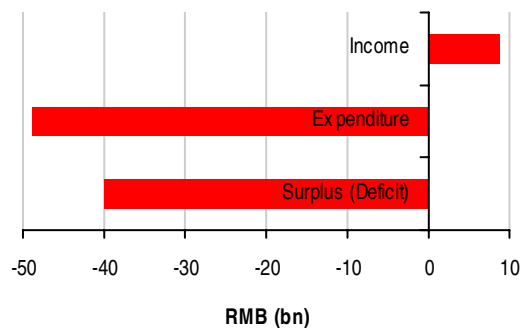
Source: National Bureau of Statistics of China

Foreign trade 2009 - Qinghai



Source: CEIC

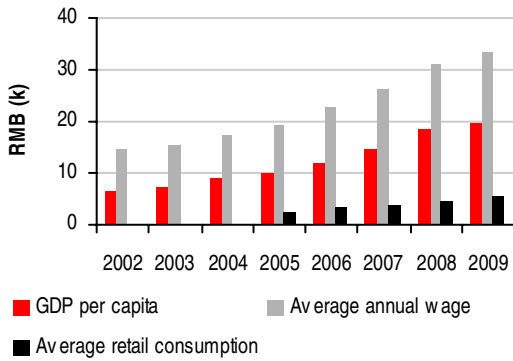
Government income and expenditure 2009 - Qinghai



Source: CEIC

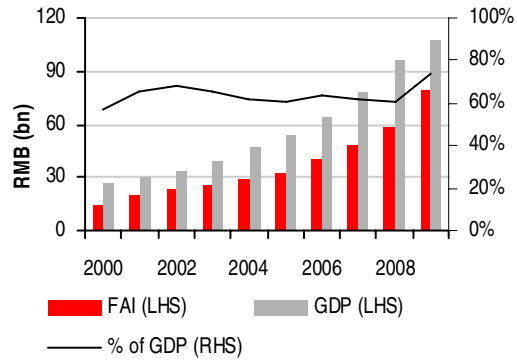
Key growth figures

Per capita income and consumption - Qinghai



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Qinghai



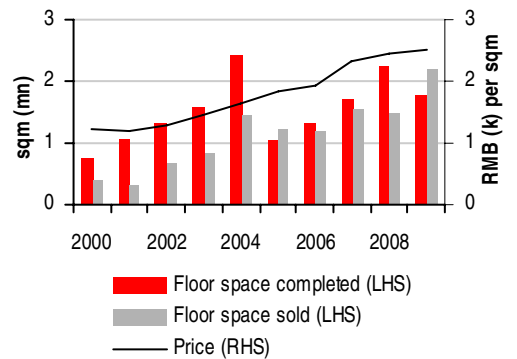
Source: CEIC, HSBC

Exports/imports - Qinghai



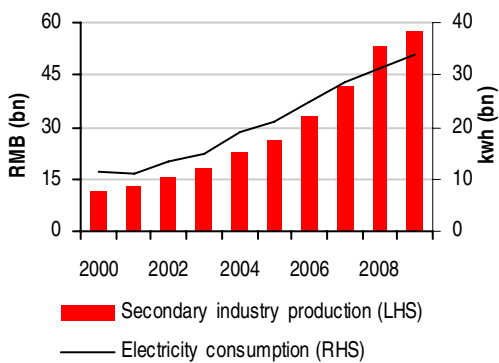
Source: CEIC

Commodity building volume and price - Qinghai



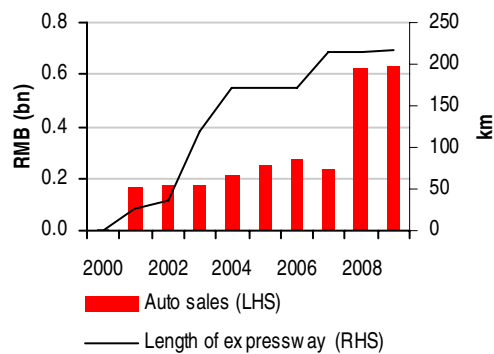
Source: CEIC

Secondary industry production and electricity usage - Qinghai



Source: CEIC

Auto sales and expressway growth - Qinghai



Source: CEIC

Shaanxi (陕西)

Size

Located in the heart of central China and neighbouring eight other provinces, Shaanxi has a population the size of Poland, with 58% living in the countryside. It has a land size close to Senegal, a GDP similar to New Zealand and a GDP per capita that is in line with the national average.

Strengths

Energy giant

Shaanxi is a major producer of three basic fossil fuels. In 2009, it produced 296m tonnes of coal, 27m tonnes of crude oil, and 18,950m cubic metres of natural gas, all ranked third in China. The reserves of these resources are still large and are yet to be fully explored. Leading companies based in the province include Shaanxi Yanchang Petroleum Group (陕西延长石油集团) and Shaanxi Coal and Chemical Industry Group (陕西煤业化工集团).

The province's power generating and petrochemical industries are also well developed, contributing nearly 50% of total industrial output. China XD Group (中国西电集团) is one of the largest power-generating equipment manufacturers in the Western Region.

Besides conventional energy, Shaanxi has made significant investments in solar energy and has also upgraded its coal power generating plants, which should pay dividends in coming years.

High-tech zone in the West

Shaanxi is promoting itself as a high tech leader in western China. Its capital, Xi'an, produces a third of the province's GDP and has a high-tech industrial zone that is supported by several of the best universities and research institutions in western China. Xi'an has a tradition of academic excellence dating back 60 years when the government relocated some of the best universities there during war-time.

The high-tech zone focuses on software development, aerospace technology, new materials and aircraft technology, all of which are among China's new priority industries in the new 12th Five-Year Plan. The province is home to more than 700 software development companies and aerospace technology and manufacturing companies. Shaanxi also provides nearly 50% of the R&D and equipment manufacturing for China's ambitious commercial aircraft project, even though Shanghai grabs most of the headlines for being the home base for the Commercial Aircraft Corporation of China (中国商用飞机有限责任公司).

Growth momentum from infrastructure upgrade

During the last 5 years, Shaanxi is highly ranked nationally in both GDP growth (2nd) and per capita GDP growth (3rd). Although the main drivers remain FAI, energy, the transportation system, and equipment manufacturing, many new industries that include solar energy and aircraft R&D and manufacturing are poised to take a

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	38	17	Poland	33
Area (sq km)	205,795	11	Senegal	83
Density (per sq km)	183	21	Dominican Republic	40
GDP (RMBbn)	819	17	New Zealand	53
GDP per capita (RMB)	21,688	15	Turkmenistan	103
GDP density (RMB per sqm)	4	19	Malaysia	56

Source: CEIC, IMF, CIA, HSBC

larger share of growth, especially after a significant upgrade in infrastructure. As of 2009, there were 2,779km of expressway with a further 2,300km under construction and 3,320km of railway lines with 2,600km being built. This, combined with the strong pool of local talent, points to further strong growth for the province.

Challenges

Speeding up commercialization

Transforming Shaanxi's high tech advantages into actual production will be a challenge. Some areas, such as space technology where Shaanxi leads the country, may take longer to commercialize. Overall, the province needs to find a way to maximize its advantages in software and new materials.

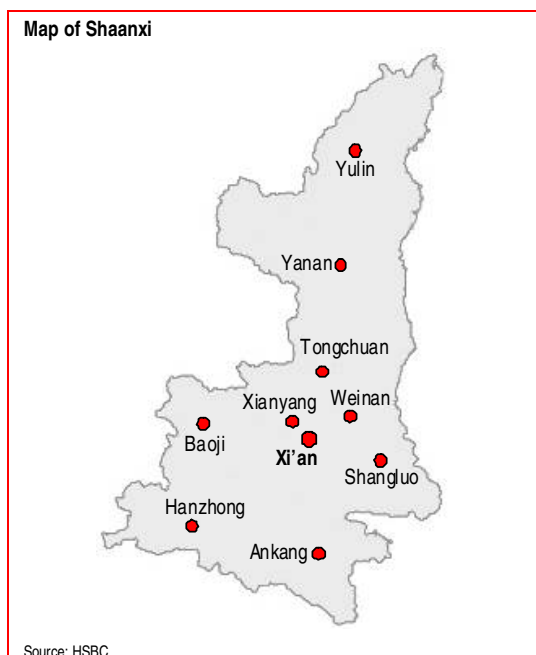
Five-year outlook

Doubling up to achieve national average

Shaanxi aims to double most of its major economic targets, including GDP and income levels, in the next 5 years in order to move its overall ranking to around the national average. Longer term, the plan is to double per capita GDP again by 2020 to reach USD10,000.

Key part of the Western Triangle

The Western Triangle is a new economic zone built around three cities, Chongqing, Chengdu and Xi'an, the capital of Shaanxi. Chongqing and Chengdu were designated as a "new special economic zone" by the State Council in June 2007. The addition of Xi'an to create the Western Triangle will be a key driver of Shaanxi's growth.



Major cities (by GDP)

Xi'an (西安, capital), Yulin (榆林), Xianyang (咸阳), Baoji (宝鸡), Yanan (延安), Weinan (渭南), Hanzhong (汉中), Ankang (安康), Shangluo (商洛), Tongchuan (铜川)

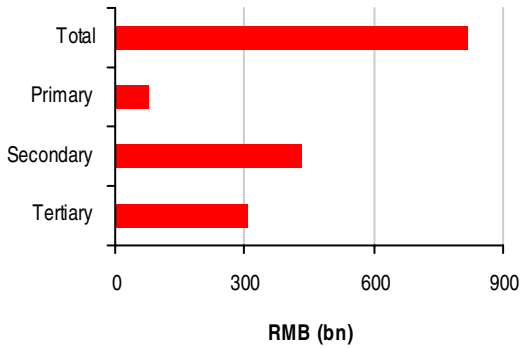
Top officials

Party Secretary: Zhao Leji (赵乐际)

Governor (acting): Zhao Zhengyong (赵正永)

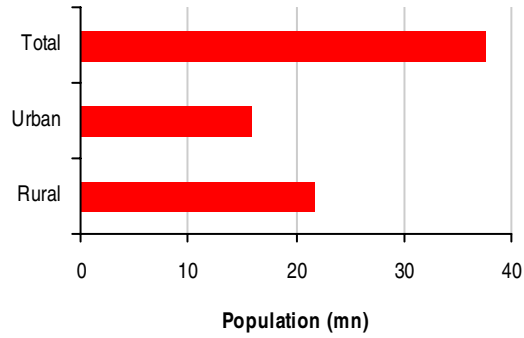
Key financial and demographic data

Annual gross domestic production 2009 - Shaanxi



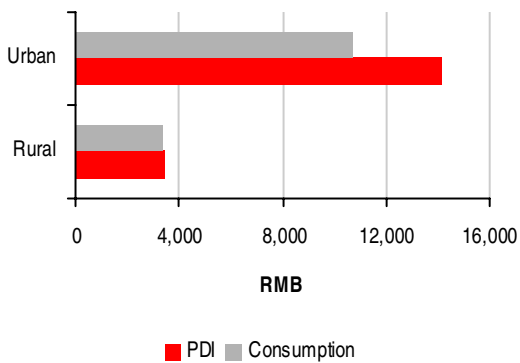
Source: CEIC

Urban and rural population 2009 - Shaanxi



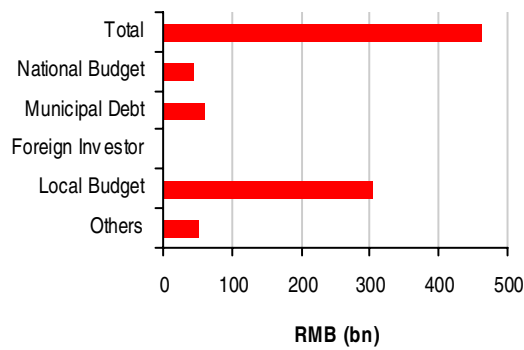
Source: CEIC

Personal disposable income and consumption 2009 - Shaanxi



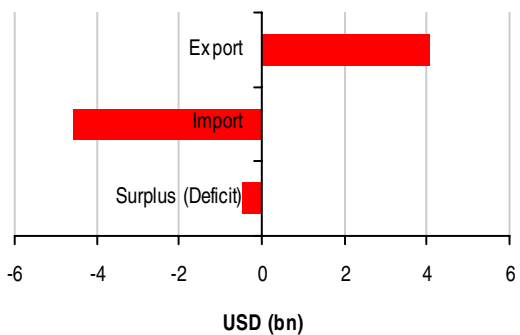
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Shaanxi



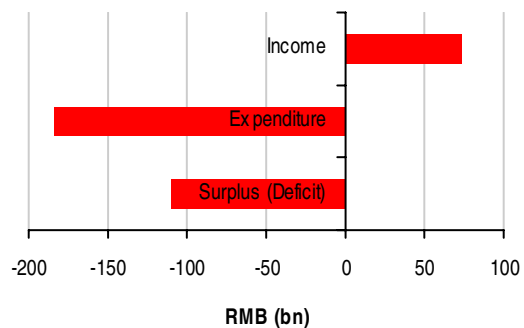
Source: National Bureau of Statistics of China

Foreign trade 2009 - Shaanxi



Source: CEIC

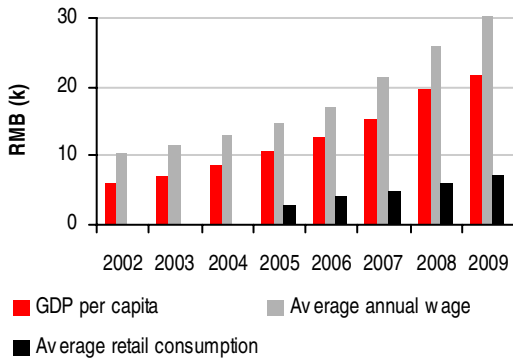
Government income and expenditure 2009 - Shaanxi



Source: CEIC

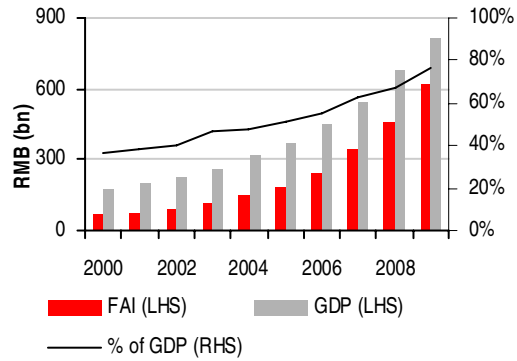
Key growth figures

Per capita income and consumption - Shaanxi



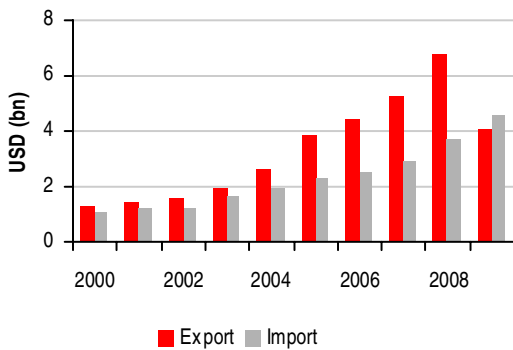
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Shaanxi



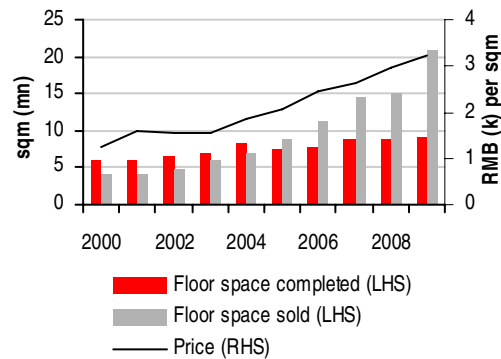
Source: CEIC, HSBC

Exports/imports - Shaanxi



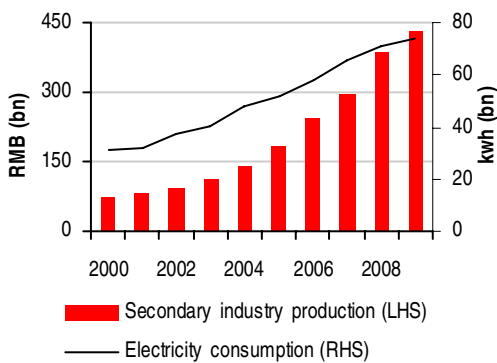
Source: CEIC

Commodity building volume and price - Shaanxi



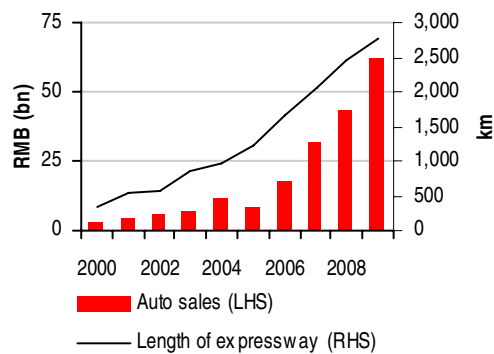
Source: CEIC

Secondary industry production and electricity usage - Shaanxi



Source: CEIC

Auto sales and expressway growth - Shaanxi



Source: CEIC

Sichuan (四川)

Size

Located in southwest China, neighbouring six other provinces, Sichuan has a population the size of Germany, the 4th biggest in China. It has a land area the size of Spain, the country's 5th largest, and its GDP and GDP per capita are similar to the Czech Republic and Ukraine, respectively.

Strengths

Largest agriculture base in the West

Sichuan has a RMB224bn primary sector, the third largest in China. It is rich in rice, wheat, rapeseed and many other crops that also provide feed for livestock. Sichuan is the largest base for pork production in western China. The New Hope Group (新希望集团) is China's leading manufacturer of animal feed, whose founder regularly appears on China's rich list. Wuliangye Group (五粮液集团) leads China's white wine industry and produces the famous Baijiu brand of traditional distilled alcohol.

Kingdom of natural gas

Sichuan has the largest proven reserves of natural gas in China. Consequently, it is the country's largest consumer and second largest producer of natural gas, with a total production of 19bn cubic metres, or 22% of the nation's total. Thanks to aggressive exploration and adoption of unconventional technology, Sichuan's proven reserves are expected to expand rapidly. Heavy investment in building natural gas purifying plants near the major gas fields plus an increase in FAI for pipeline building will also ensure that supply will continue to grow.

Sichuan's energy consumption is more natural gas driven than other provinces. Sichuan has the largest amount of CNG (compressed natural gas) stations and CNG vehicles. Natural gas also supports the province's chemical fibre and power generating industry. Dongfang Electric Corporation (中国东方电气集团) is the largest local utilities company in Sichuan.

Tourism centre in the West

The diversity of geographic features and historical sites has helped Sichuan become a leading tourist destination (the Jiuzhai Valley National Park (九寨沟) is China's premier national park). Chengdu is regarded as one of the most liveable cities in the country.

Second largest reserves of iron ore

With the second largest domestic reserves of iron ore (behind Liaoning), Sichuan companies such as the Pangang Group (攀钢集团), benefit from China's insatiable demand (the country consumes about 60% of the world's iron ore output).

Challenges

Natural gas: double-edged sword

Ironically, natural gas is increasingly becoming Sichuan's growth bottleneck. Despite its abundant production and reserves, the province is facing shortages for its own use. This is because natural gas supply is administrated by the central government and is controlled through Sinopec and CNPC, two large SOEs. A large portion of SOE natural gas production is transported to eastern provinces. Local downstream companies' demand is much higher than supply, so Sichuan needs to

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	82	4	Germany	15
Area (sq km)	484,056	5	Spain	48
Density (per sq km)	169	22	Switzerland	41
GDP (RMBbn)	1,415	9	Czech Republic	40
GDP per capita (RMB)	17,339	24	Ukraine	113
GDP density (RMB per sqm)	3	22	Bulgaria	71

Source: CEIC, IMF, CIA, HSBC

seek either more gas supply or more value-added products to grow its natural gas related industry.

End of earthquake recovery stimulus

The province's FAI in 2009 increased by 60%, much higher than other provinces thanks to the Sichuan Earthquake recovery program. The central government alone has committed RMB1trn in spending from 2008 to 2011 to help the recovery. This commitment, along with funding from other sources, has fuelled Sichuan's recent growth, but this stimulus will end soon.

Chengdu-centric

Sichuan's growth needs to become less Chengdu-centric. The city accounts for nearly 32% of the province's GDP but the rest of the province lacks good transport infrastructure. For example, the expressway system does not link many of the other cities to each other. Consequently, Sichuan's per capita length for both expressways and railways is among the lowest in the country.

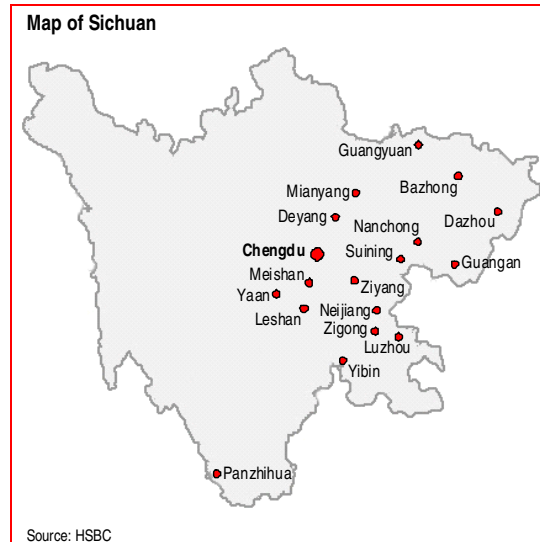
Five-year outlook

Focusing on the peripherals

For the coming 5 years, Sichuan will develop cities in the south by improving expressway links. For its Northeast Economic Zone, Sichuan will expedite infrastructure building with a focus on transportation and water conservation.

Joining the RMB3trn club

Sichuan is aiming for 12% annual GDP growth until 2015 so it can join provinces like Guangdong, Jiangsu and Shandong that have RMB3trn GDP economies.



Major cities (by GDP)

Chengdu (成都, capital), Mianyang (绵阳), Deyang (德阳), Yibin (宜宾), Dazhou (达州), Nanchong (南充), Leshan (乐山), Luzhou (泸州), Neijiang (内江), Zigong (自贡), Ziyang (资阳), Panzhihua (攀枝花), Meishan (眉山), Guangan (广安), Suining (遂宁), Guangyuan (广元), Bazhong (巴中), Yaan (雅安)

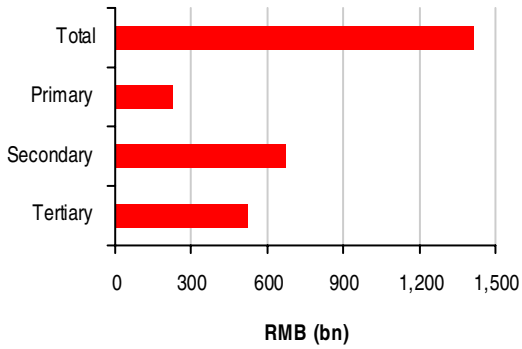
Top officials

Party Secretary: Liu Qibao (刘奇葆)

Governor: Jiang Jufeng (蒋巨峰)

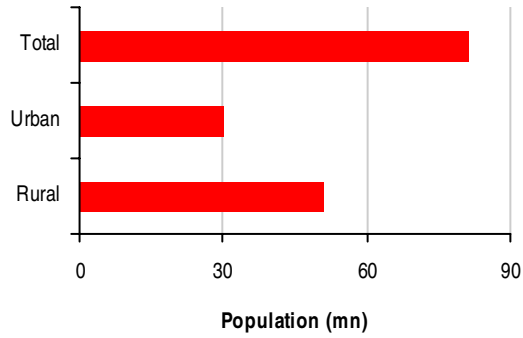
Key financial and demographic data

Annual gross domestic production 2009 - Sichuan



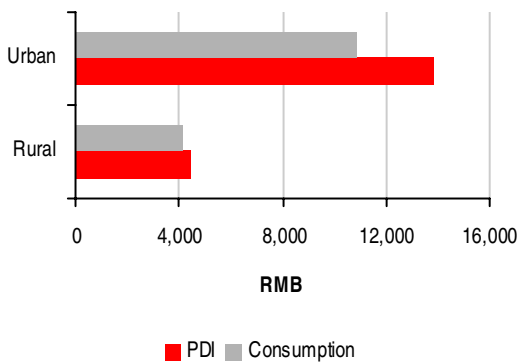
Source: CEIC

Urban and rural population 2009 - Sichuan



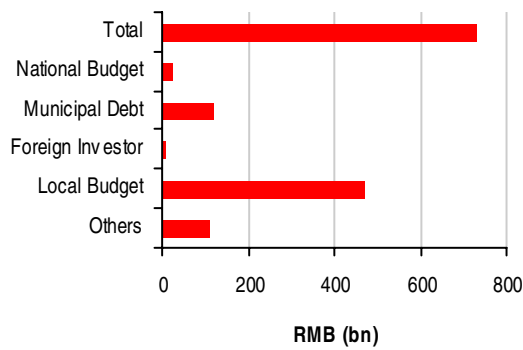
Source: CEIC

Personal disposable income and consumption 2009 - Sichuan



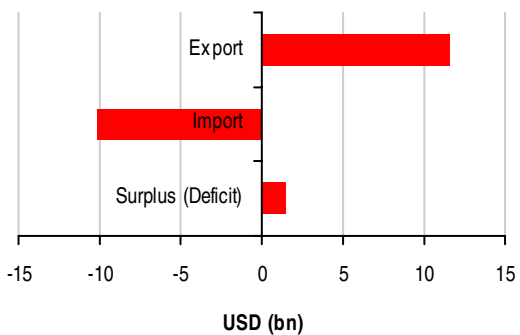
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Sichuan



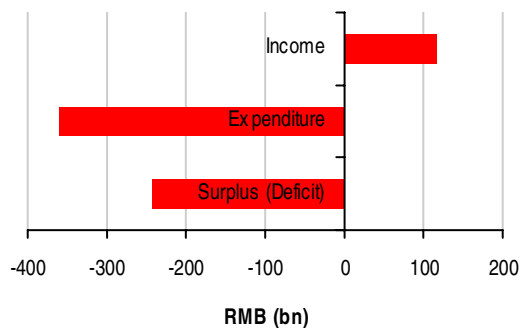
Source: National Bureau of Statistics of China

Foreign trade 2009 - Sichuan



Source: CEIC

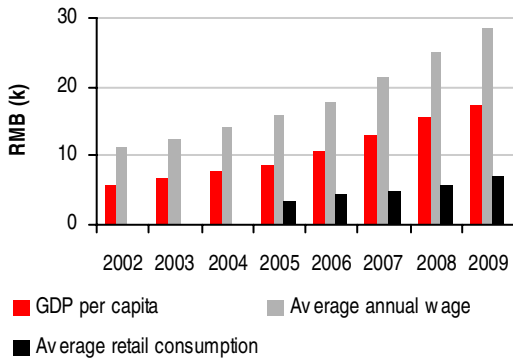
Government income and expenditure 2009 - Sichuan



Source: CEIC

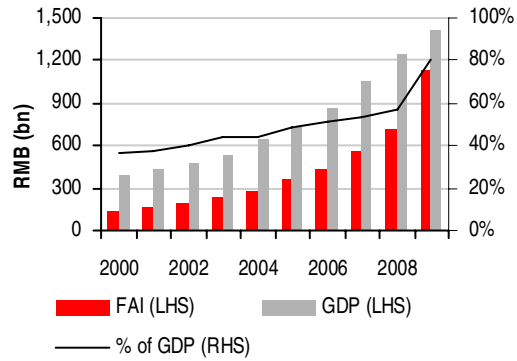
Key growth figures

Per capita income and consumption - Sichuan



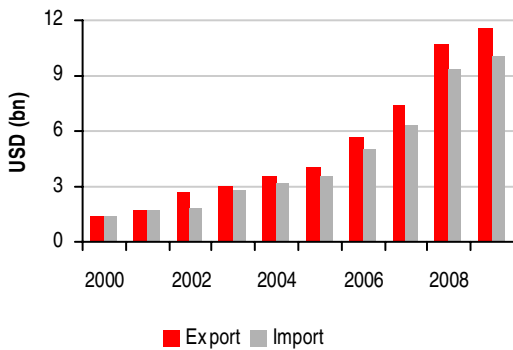
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Sichuan



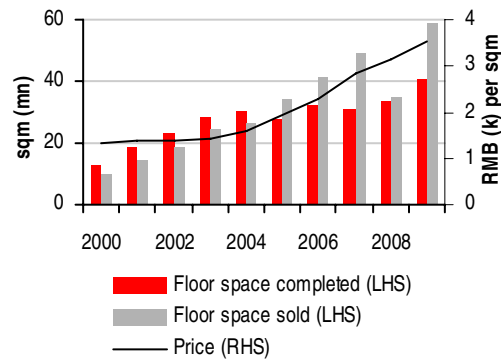
Source: CEIC, HSBC

Exports/imports - Sichuan



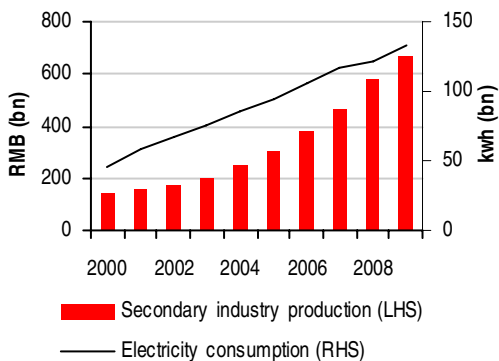
Source: CEIC

Commodity building volume and price - Sichuan



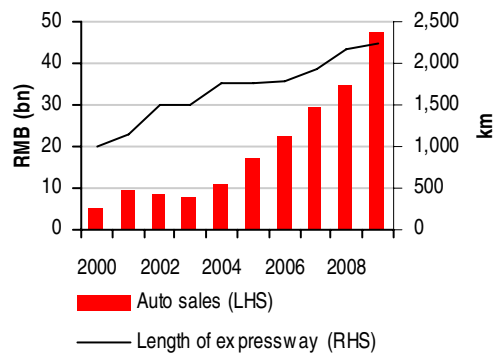
Source: CEIC

Secondary industry production and electricity usage - Sichuan



Source: CEIC

Auto sales and expressway growth - Sichuan



Source: CEIC

Tibet Autonomous Region (西藏)

Size

Located at the western end of China, bordering Nepal, India and Bhutan, Tibet has a population of 3m, the smallest in China, slightly less than Oman. More than two thirds of the people live in rural areas, making Tibet the least urbanized region in China. However, Tibet's land size is the second largest, similar to South Africa. Tibet has a GDP and a per capita GDP similar to Haiti and Indonesia, respectively.

Strengths

Strong central government support

Central government financial support is the main driver of Tibet's economy. For example, 58.7% of its RMB38bn worth of FAI came directly from Beijing in 2009 (vs GDP of RMB44bn). This is much higher than other provinces, where FAI from the national budget is only in single digits.

In addition, Beijing also provides the highest per capita transfer payments or fiscal subsidies to Tibetan residents. The average wage is RMB48,750, the third highest in China and more than triple the GDP per capita of RMB15,295.

Booming tourism and transport upgrade

Tibet's tertiary sector makes the biggest contribution (55% or RMB24bn in 2009) to GDP thanks to its booming tourism industry. Tourism added RMB5.2bn in direct revenue, with other indirect contributions coming from Tibetan traditional medicine, finance and telecommunication.

The completion of the Qingzang (青藏) railway in July 2006 has made Tibet a must-see destination for more and more Chinese. As of October 2010, Tibet has five airports for civilian use. Growth in tourism will continue along with the development of the transportation network, accommodation and public security.

Challenges

Still at a primitive stage

Tibet has the lowest population density and this is holding back economic development. For example, although Tibet could be a potentially large producer of natural resources and raw materials given its proven reserves, exploration is still at a primitive stage and transportation and exploration costs are still prohibitively high.

As well as the railway connection, Tibet now also has an expressway that links the capital, Lhasa, with Chengdu in Sichuan. But there is still a long way to go before Tibet can effectively harness the potential of its natural resources.

Five-year outlook

Developing secondary industry

Tibet aims to achieve a minimum GDP growth rate of 12% for the next five years. The focus for the coming 5 years is the development of its secondary industry, with a goal of reaching RMB45.8bn by end of 2015, or 40% of Tibet's GDP (from the current 28%). Energy, mining and new building materials are expected to expand at a CAGR of 30% over the next 5 years.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	3	31	Oman	133
Area (sq km)	1,202,072	2	South Africa	24
Density (per sq km)	2	31	Mongolia	180
GDP (RMBbn)	44	31	Haiti	134
GDP per capita (RMB)	15,295	28	Indonesia	118
GDP density (RMB per sqm)	0.04	31	Mali	175

Source: CEIC, IMF, CIA, HSBC

Transport upgrade

Tibet will spend RMB50bn on transportation in the next 5 years, including the expansion of the expressway network to 70,000km.



Major cities (by GDP)

Lhasa (拉萨, capital)

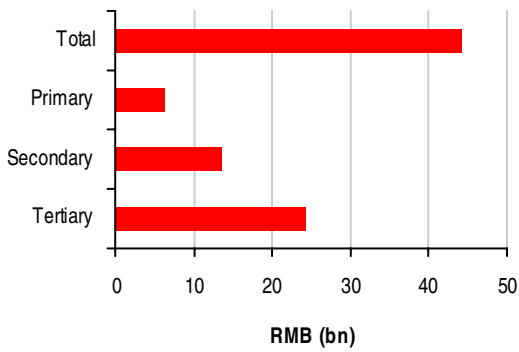
Top officials

Party Secretary: Zhang Qingli (张庆黎)

Governor: Padma Choling (白玛赤林)

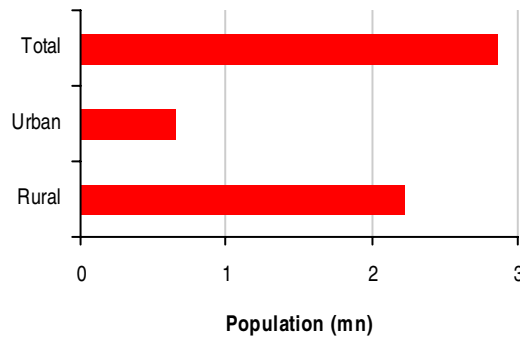
Key financial and demographic data

Annual gross domestic production 2009 - Tibet



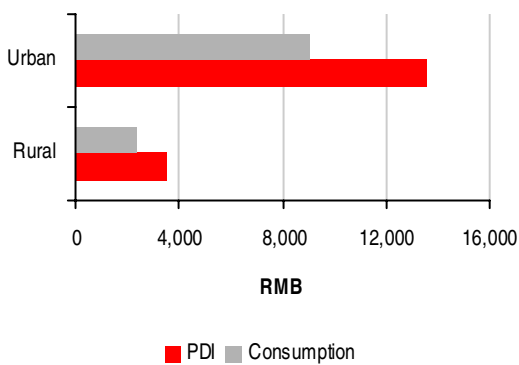
Source: CEIC

Urban and rural population 2009 - Tibet



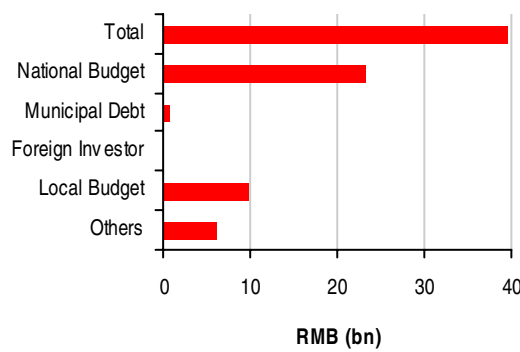
Source: CEIC

Personal disposable income and consumption 2009 - Tibet



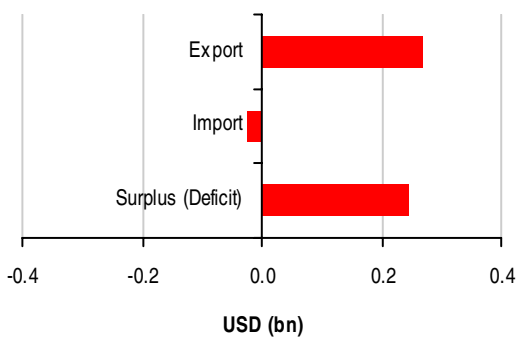
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Tibet



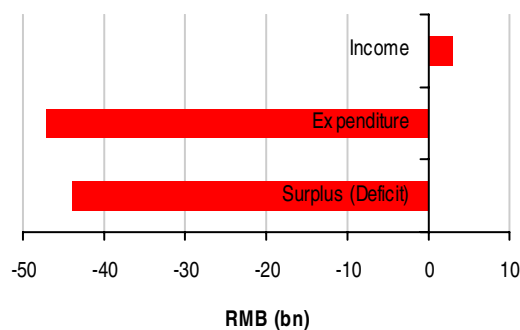
Source: National Bureau of Statistics of China

Foreign trade 2009 - Tibet



Source: CEIC

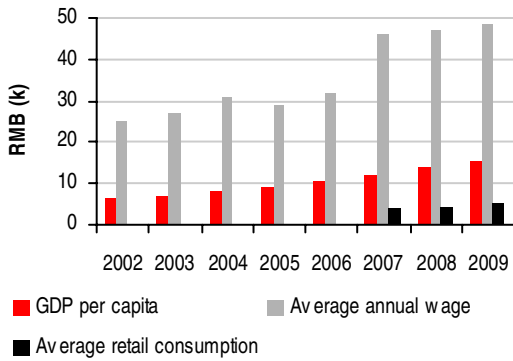
Government income and expenditure 2009 - Tibet



Source: CEIC

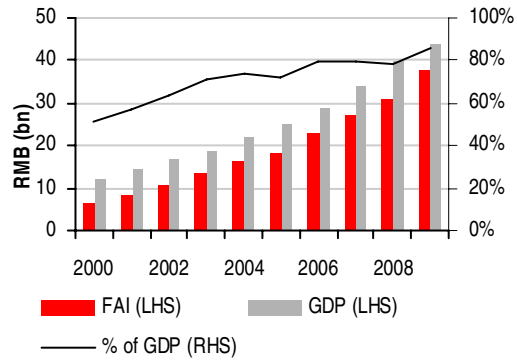
Key growth figures

Per capita income and consumption - Tibet



Note: average retail consumption is not available until 2007
 Source: CEIC

Annual fixed asset investment - Tibet



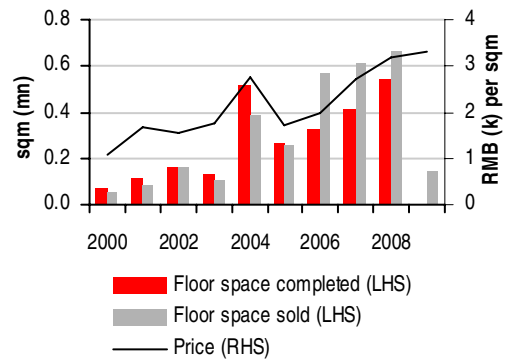
Source: CEIC, HSBC

Exports/imports - Tibet



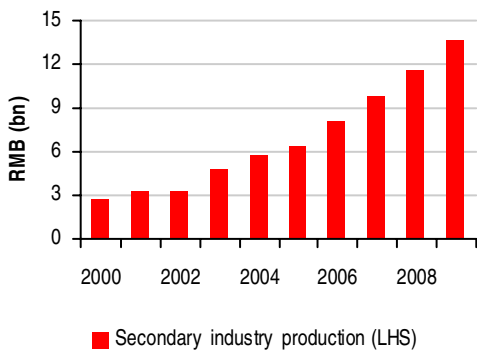
Source: CEIC

Commodity building volume and price - Tibet



Source: CEIC

Secondary industry production - Tibet



Source: CEIC

Xinjiang Uygur Autonomous Region (新疆)

Size

Located in the far northwest of China, Xinjiang is the largest provincial region, similar in size to Iran. It has a population of 22m, the same as Australia, the GDP of Croatia and the per capita GDP of Armenia (or Morocco).

Strengths

Energy resources

After significant discoveries in recent years, Xinjiang has become one of the most important hubs for energy resources in China. In 2009, Xinjiang produced 24.5bn cubic metres of natural gas, 28.8% of China's total and more than any other province, 25m tonnes of crude oil (ranked 4th in China) and large quantities of coal. The reserves of natural gas, oil and coal each account for over 25% of the national total.

Xinjiang's industry centres on oil and gas, petrochemicals and building materials.

Special climate for agriculture

Although most of Xinjiang is uninhabited, agriculture thrives because of the region's oases. It is China's largest supplier of cotton and tomato processing and is famous for its quality fruit.

Unprecedented national support

Since the outbreak of ethnic unrest in 2009, the CCP has committed unprecedented amounts of political and economic support to Xinjiang. A high-level committee chaired by a member of the Politburo Standing Committee was set up under

which most municipalities and provinces are mandated to provide "counterparty support" (对口支援) all the way down to individual counties in Xinjiang. A total of RMB13bn or 30% of Xinjiang's own fiscal revenue has already been committed from Beijing and the rest of the country to support Xinjiang's development. In addition, major SOEs such as PetroChina, Sinopec, State Grid Corporation and Shenhua Group have also pledged financial and technical support to ensure Xinjiang's economic success.

Challenges

Harsh terrain

Much of Xinjiang's natural resources are scattered around the area's vast hinterland. This means significant initial investment is required to support production and transport.

Ethnic tension

The region borders Russia, India and six other countries. Historically, the area has always been troubled by ethnic conflict and the turmoil experienced in 2009 is the latest example.

Five-year outlook

Minimum 12% GDP growth target

Xinjiang has a target of 12% annual GDP growth for the next 5 years. Beijing has reached the conclusion that the region's long-term stability depends heavily on its economic wellbeing, and that means growth and quality of living.

Massive infrastructure build-up just started

With financial and technical support from Beijing and other rich provinces, Xinjiang will build

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	22	24	Australia	50
Area (sq km)	1,664,897	1	Iran	17
Density (per sq km)	13	29	Saudi Arabia	159
GDP (RMBbn)	427	25	Croatia	64
GDP per capita (RMB)	19,942	21	Armenia	105
GDP density (RMB per sqm)	0.26	29	Paraguay	147

Source: CEIC, IMF, CIA, HSBC

seven new expressways and 11 railways with total investment of RMB145bn, with more expected all in the coming five years.

Major cities (by GDP)

Urumqi (乌鲁木齐, capital), Karamay (克拉玛依)

Top officials

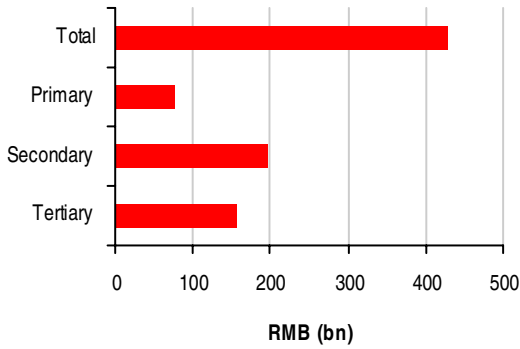
Party Secretary: Zhang Chunxian (张春贤)

Governor: Nur Bekri (努尔·白克力)



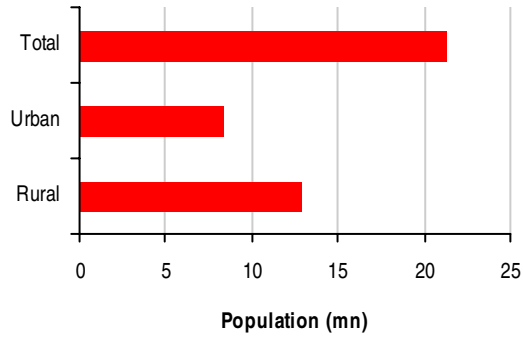
Key financial and demographic data

Annual gross domestic production 2009 - Xinjiang



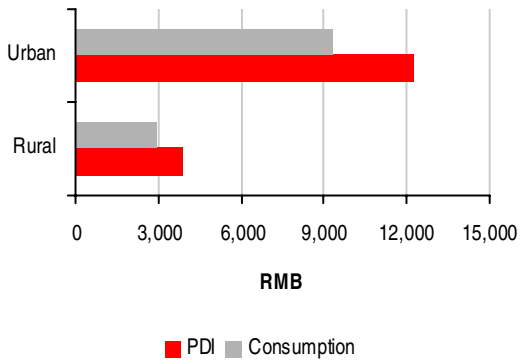
Source: CEIC

Urban and rural population 2009 - Xinjiang



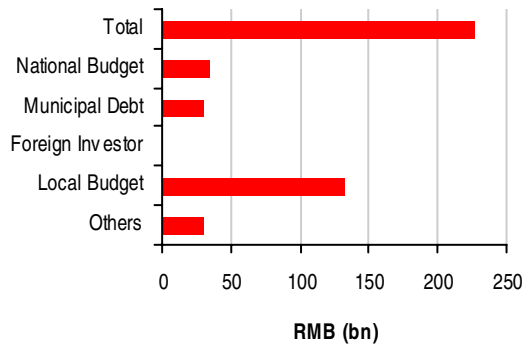
Source: CEIC

Personal disposable income and consumption 2009 - Xinjiang



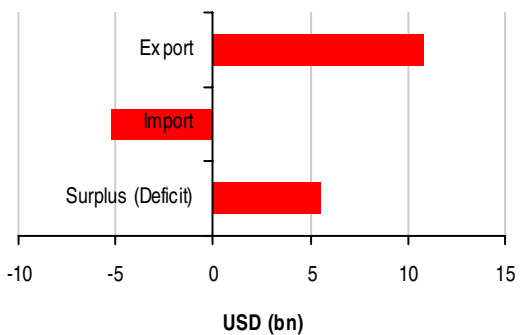
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Xinjiang



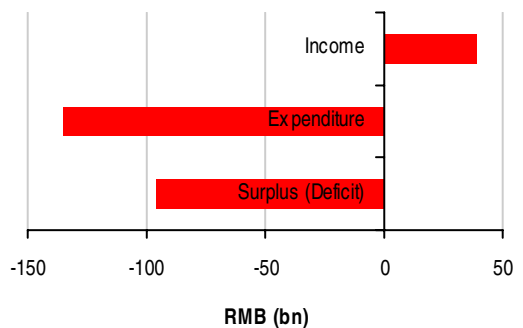
Source: National Bureau of Statistics of China

Foreign trade 2009 - Xinjiang



Source: CEIC

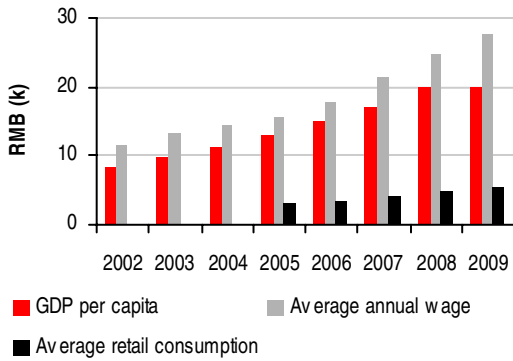
Government income and expenditure 2009 - Xinjiang



Source: CEIC

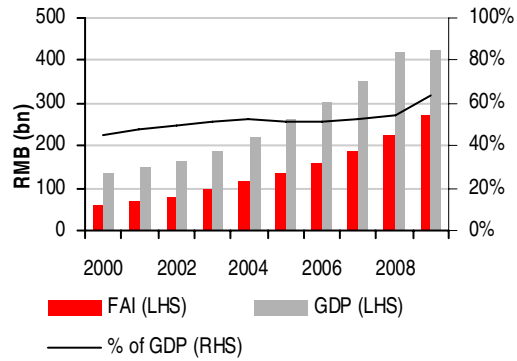
Key growth figures

Per capita income and consumption - Xinjiang



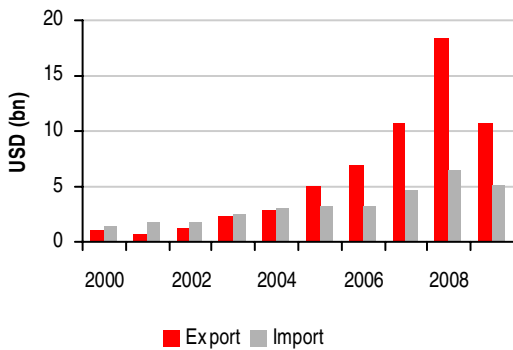
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Xinjiang



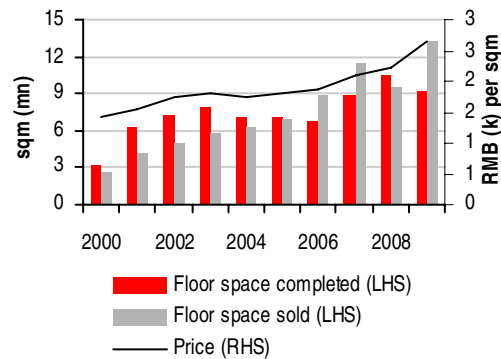
Source: CEIC, HSBC

Exports/imports - Xinjiang



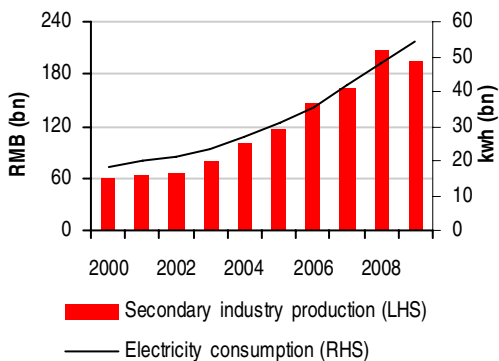
Source: CEIC

Commodity building volume and price - Xinjiang



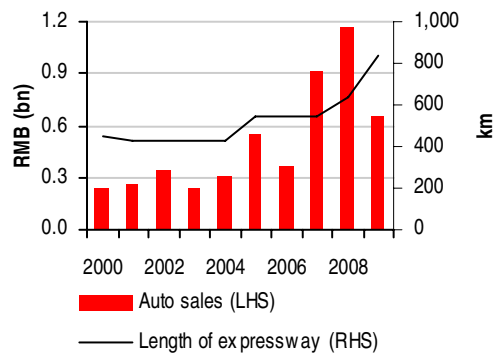
Source: CEIC

Secondary industry production and electricity usage - Xinjiang



Source: CEIC

Auto sales and expressway growth - Xinjiang



Source: CEIC

Yunnan (云南)

Size

Located in the southwest corner of China and bordering Burma, Laos and Vietnam, Yunnan has a population the size of Spain. Most residents live in the rural eastern part of the province. It has a land area slightly larger than Japan, GDP and GDP per capita similar to the Slovak Republic and Sri Lanka, respectively.

Strengths

Tobacco king

Tobacco has been the key driver of Yunnan's economic growth since early last century. It dominates the primary sector, with half of annual production (35% of China's total) exported to the rest of the country.

Not surprisingly, Yunnan is China's largest cigarette maker, and this is its most important secondary industry. Hongta Group (红塔烟草集团) and Hongyun Honghe Tobacco Group (红云红河烟草集团) are the province's two largest companies and two of the top three tobacco industry leaders in China. To fend off external competitive pressure, the regulator in Yunnan restricts the export of tobacco leaves to protect local cigarette manufacturing industry.

Transportation network and tourism

Thanks to its tobacco revenue, Yunnan's transport system is much better than its poorer neighbours. The total and per capita length of its railways and expressways are both ranked higher than the national average. Although most southwest

provinces have beautiful scenery and rich ethnic cultures, Yunnan stands out from the rest as the leading tourism destination thanks to its better transport system.

Yunnan continues to invest in transport infrastructure to further enhance its tourism industry and benefit less developed counties.

Rich reserves of zinc, lead and copper

Yunnan leads the country in zinc and lead reserves and is ranked third in copper. Major companies in the sector include Kunsteel Holding (昆明钢铁控股), Yunnan Coal Chemical Industry Group (云南煤化工集团), Yunnan Metallurgical Group (云南冶金集团) and Yunnan Tin Group (云南锡业集团). However, its refining technology is yet to be upgraded.

Challenges

Dependence on tobacco industry

Growth in tobacco is peaking as China imposes stricter smoking regulations. Consequently, Yunnan is falling behind other provinces and its GDP ranking dropped from 17th in 2000 to 24th in 2009. Yunnan needs to identify a new growth driver.

Still poor

Yunnan is a poor province with per capita GDP ranked in the bottom third in China and average wages in the bottom fifth. The urban and rural income gap is – along with Guizhou – the largest in China.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	46	12	Spain	27
Area (sq km)	383,194	8	Japan	58
Density (per sq km)	119	25	Indonesia	55
GDP (RMBbn)	617	24	Slovak Republic	59
GDP per capita (RMB)	13,539	29	Sri Lanka	120
GDP density (RMB per sqm)	2	26	South Africa	92

Source: CEIC, IMF, CIA, HSBC

Five-year outlook

RMB190bn expressway drive

RMB190bn (31% of its 2009 GDP) will be invested in expanding the expressway network over the next 5 years. The program will start in the capital city of Kunming, with the aim of connecting all neighbouring counties. Yunnan also aims to expand its railway coverage to 5,000km by 2015.

Greater Mekong sub-region co-operation

As China's world influence increases, the Mekong River basin that includes Cambodia, Laos, Myanmar, Thailand, Vietnam, and China's Yunnan province, has become ever more important to China's strategic interests. Yunnan will spend more than RMB10bn on railway construction to ensure China will have rail connections with its southern neighbours by 2020, a move that will benefit Yunnan's growth and the tourism industry.

Major cities (by GDP)

Kunming (昆明, capital), Qujing (曲靖), Yuxi (玉溪), Zhaotong (昭通), Baoshan (保山), Puer (普洱), Lincang (临沧), Lijiang (丽江)

Top officials

Party Secretary: Bai Enpei (白恩培)

Governor: Qin Guangrong (秦光荣)

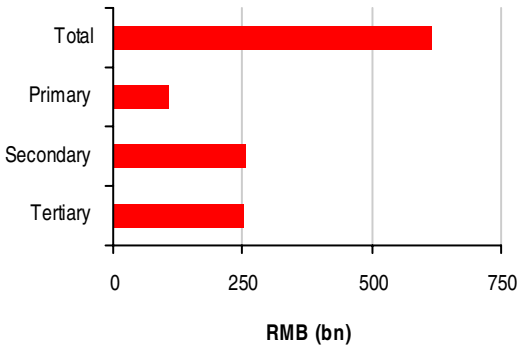
Map of Yunnan



Source: HSBC

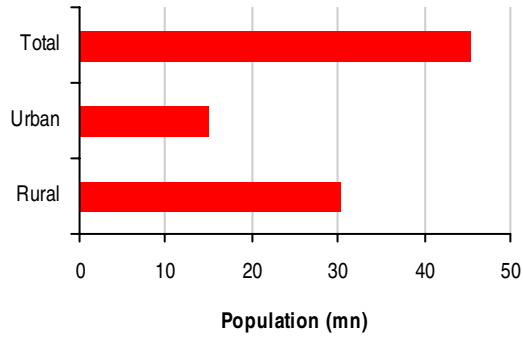
Key financial and demographic data

Annual gross domestic production 2009 - Yunnan



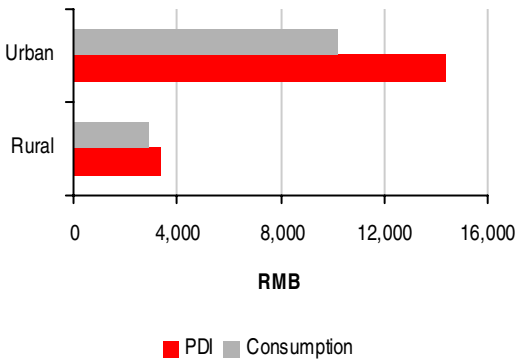
Source: CEIC

Urban and rural population 2009 - Yunnan



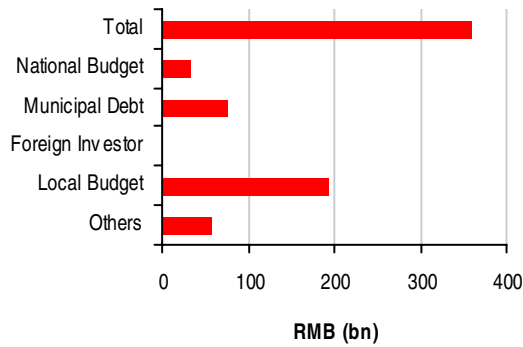
Source: CEIC

Personal disposable income and consumption 2009 - Yunnan



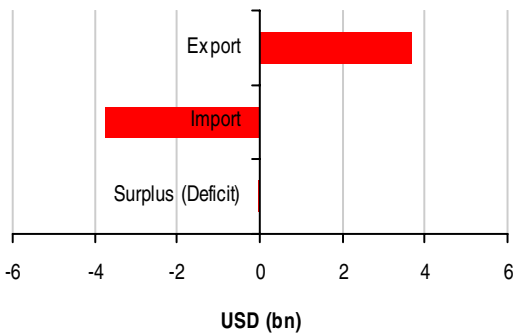
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Yunnan



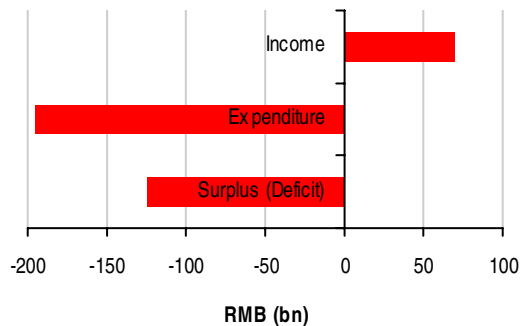
Source: National Bureau of Statistics of China

Foreign trade 2009 - Yunnan



Source: CEIC

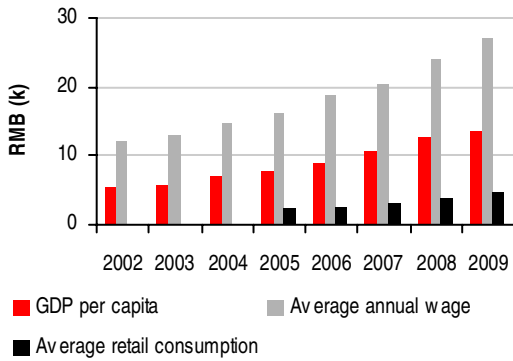
Government income and expenditure 2009 - Yunnan



Source: CEIC

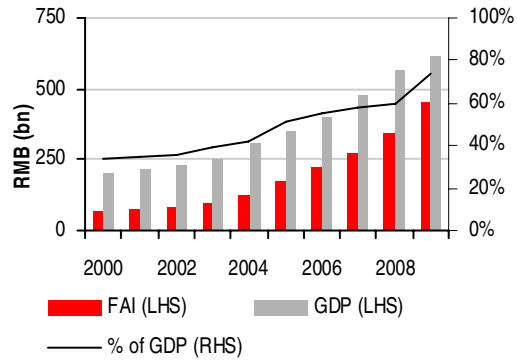
Key growth figures

Per capita income and consumption - Yunnan



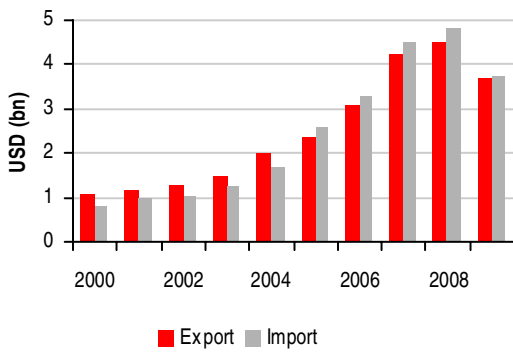
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Yunnan



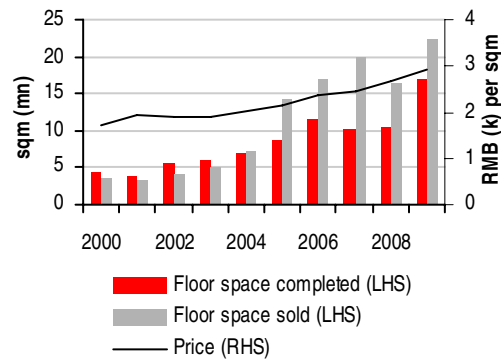
Source: CEIC, HSBC

Exports/imports - Yunnan



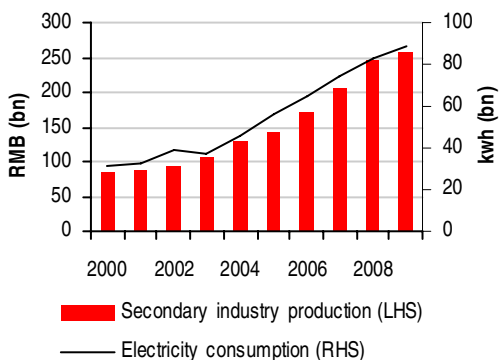
Source: CEIC

Commodity building volume and price - Yunnan



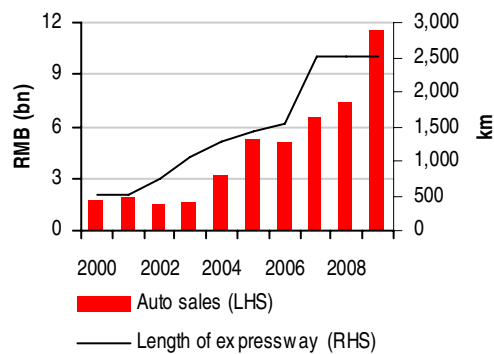
Source: CEIC

Secondary industry production and electricity usage - Yunnan



Source: CEIC

Auto sales and expressway growth - Yunnan

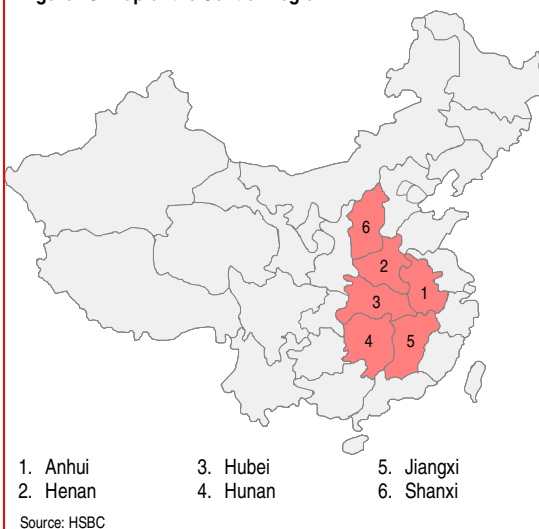


Source: CEIC

Central Region

- ▶ No hot growth theme, yet benefits from being between the rich East and the resource-rich West
- ▶ Indirect policy dividend from the China Western Development (西部大开发) program
- ▶ Emerging manufacturing hub thanks to rising costs in the East

Figure 23: Map of the Central Region



Like the Western Region, the Central Region has a GDP similar to Australia and a population twice that of Brazil. However, it is as crowded as Japan (vs. Mexico for the Western Region) and as rich as Morocco in terms of per capita GDP. The six provinces in the region churned out an average GDP of RMB1.2trn in 2009.

Piggybacking on the rich East and the resource rich West

With moderate growth over the last decade, the Central Region has neither a “hot theme for growth” nor the kind of state support as its

western peer. However, the region benefits from exporting food, raw materials, basic equipment and cheap labour to the rich Eastern Region while serving as a major channel for technology and fund inflows to the West and energy and materials outflows to the East, taking advantage of the China Western Development initiative.

Agriculture base and food processing centre

The region is China’s most important agriculture base and food processing centre. Thanks to the fertile soil, temperate climate and natural irrigation system, the region (except Shanxi province) is rich in rice, wheat, tea, freshwater fish and many other agricultural products. Three of China’s six agriculture net export provinces are in this region. Its total agriculture output accounted for 31.3% of the national total in 2009, up from 30.5% in 2005. Its primary sector accounted for more than 27% of the national total in 2009, much higher than its 19% total GDP share in 2009.

Coal and metals

The Central Region is rich in coal, copper, gold and many other resources, which helps its fast-growing secondary sector (national share grew

Central region summary

	2009	Ranking	Comparable country	Rank as a country
Population (mn)	356	3	Brazil x 2	5
Area (sq km)	1,027,011	2	Mauritania	31
Density (per sq km)	347	2	Japan	17
GDP (RMBbn)	7,014	2	Australia	15
GDP per capita (RMB)	19,700	3	Morocco	109
GDP density (RMB per sqm)	7	2	Jamaica	50

Source: HSBC, CEIC, IMF, CIA

nearly 2 percentage points in the last five years) that focuses on mining, metallurgy, iron and steel, chemicals and heavy equipment manufacturing.

All of the largest companies in the Central Region are from these heavy industry sectors, including national leaders such as Dongfeng Motor (东风汽车), Henan Coal Chemical Industry Group (河南煤业化工集团), Wuhan Iron and Steel (武钢) and Jiangxi Copper (江西铜业).

Emerging manufacturing hub

Many of the low-end manufacturers in the rich Eastern Region are being forced to restructure and move into high value-added production and services for cost and energy efficiency reasons.

The Central Region is best positioned to absorb much of the migration of low-end manufacturing plants due to its convenient location, good transportation system and abundance of cheap labour.

Reverse “brain drain” emerging

Like less-developed regions elsewhere, the Central Region has suffered a serious brain drain that saw local talent and professionals moving to rich coastal cities for better opportunities.

However, since 2008 there are signs that the process might be going into reverse, at least in relatively well developed cities. For example, in Nanchang in Jiangxi province, for every professional leaving the city, there are 1.4 moving in. The trend is likely to accelerate as rising costs in the East and growing opportunities at home magnify the push and pull effect, paving the way for sustained growth in the region.

Anhui (安徽)

Size

Located in eastern central China and bordering six provinces, Anhui has a population the size of the United Kingdom and is ranked 8th in China. It has the land mass of Greece, the GDP of the Philippines and GDP per capita of Georgia.

Strengths

Fertile land and rich copper reserve

Historically, Anhui has been a populous region due to its fertile land and moderate climate. Its primary industry accounts for 15% of GDP, 50% higher than the national average of 10%, with major crops including rice, wheat and sweet potato.

Anhui is rich in copper, has a well developed copper refining industry and is one of the nation's largest producers of refined copper products. Tongling Nonferrous Metals Group (铜陵有色金属集团) is the leading producer of cathode copper in China.

Other large companies in the mining and metallurgy industry are Magang (Group) Holding (马钢集团控股) and Huainan Mining Group (淮南矿业集团).

Cheap labour and rapid rise in FDI

Despite a 17% rise in average wages in 2009, driven by an increase in minimum wages, Anhui still leads the country in the supply of cheap labour. For example, the minimum monthly wage in Anhui after the recent 20% rise is still just RMB720 per month, only a touch higher than the lowest-ranked Ningxia at RMB710. However, with more than 61m people, Anhui's population is more than 10 times that of Ningxia.

With its abundance of cheap labour, Anhui could become a new manufacturing hub. It is quickly developing its automobile industry with Chery Automobile (奇瑞汽车), which is rapidly becoming a national brand. Its secondary industry has increased at a CAGR of 16% since 2000 and reached RMB490bn in 2009.

More importantly, Anhui has become a magnet for FDI. Between 2006 and 2008, it attracted FDI at an astounding CAGR of 71%, laying the foundation for further industrial growth.

Challenges

Unsustainable pace of FAI

Anhui's RMB1trn GDP in 2009 was largely driven by fixed asset investment. The FAI to GDP ratio of 0.89 is the highest in China, and perhaps a world record, which is clearly unsustainable. Moreover, Anhui's economy is not balanced with the area along the Yangtze River developing much faster than elsewhere in the province.

Five-year outlook

Doubling its 2009 GDP

Anhui's GDP hit RMB1trn in 2009 and the province plans to add another RMB1trn by the end of its new Five-Year Plan.

Hefei export processing zone

An export processing zone will start to operate in the city of Hefei, with export tax exemptions, tax rebates and other incentives. With the help of the vast amount of cheap labour available, the export zone looks destined to succeed, largely taking export-related employment away from rich coastal cities.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	61	8	United Kingdom	22
Area (sq km)	140,126	22	Greece	92
Density (per sq km)	438	9	Netherlands	11
GDP (RMBbn)	1,005	14	Philippines	50
GDP per capita (RMB)	16,408	26	Georgia	116
GDP density (RMB per sqm)	7	13	Jamaica	47

Source: CEIC, IMF, CIA, HSBC

Map of Anhui



Major cities (by GDP)

Hefei (合肥, capital), Wuhu (芜湖), Anqing (安庆), Maanshan (马鞍山), Fuyang (阜阳), Luan (六安), Chuzhou (滁州), Suzhou (宿州), Bengbu (蚌埠), Chaohu (巢湖), Huainan (淮南), Xuancheng (宣城), Bozhou (亳州), Huaibei (淮北), Tongling (铜陵), Huangshan (黄山), Chizhou (池州)

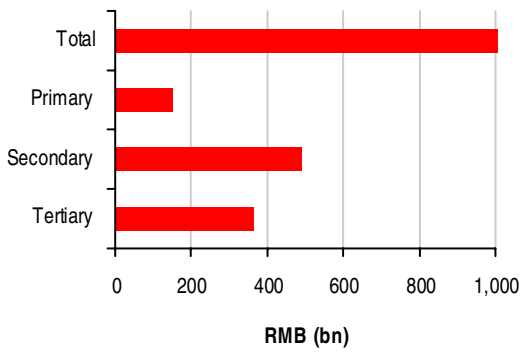
Top officials

Party Secretary: Zhang Baoshun (张宝顺)

Governor: Wang Sanyun (王三运)

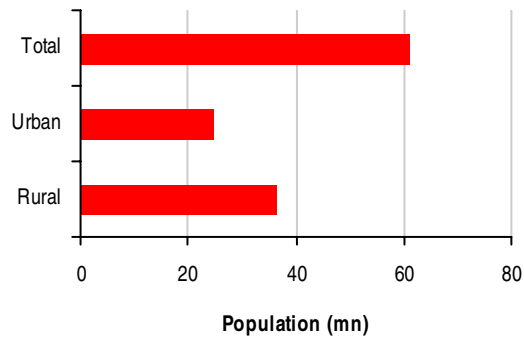
Key financial and demographic data

Annual gross domestic production 2009 - Anhui



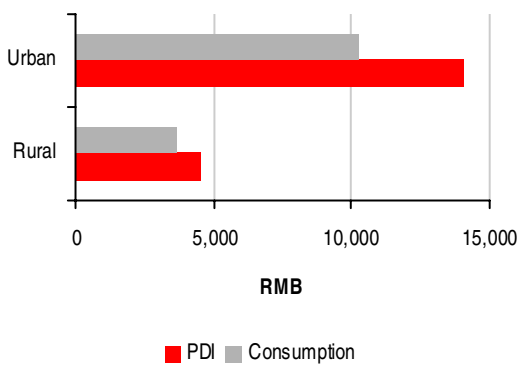
Source: CEIC

Urban and rural population 2009 - Anhui



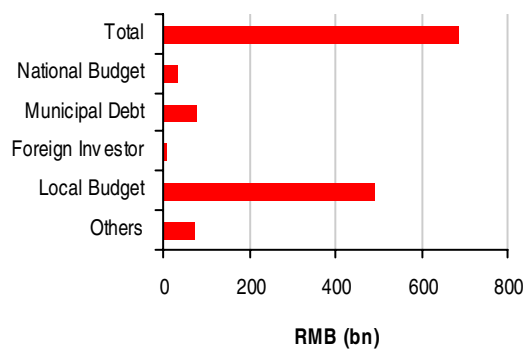
Source: CEIC

Personal disposable income and consumption 2009 - Anhui



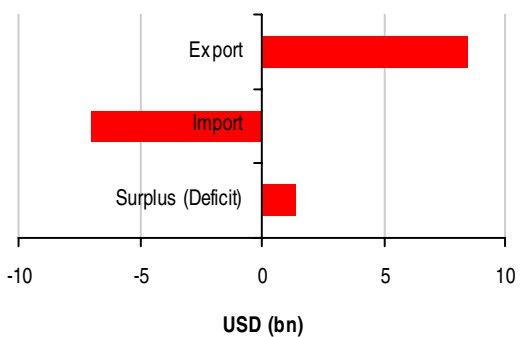
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Anhui



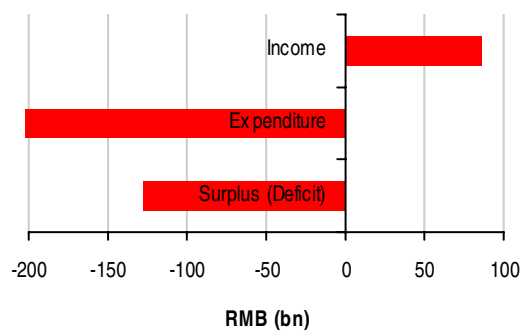
Source: National Bureau of Statistics of China

Foreign trade 2009 - Anhui



Source: CEIC

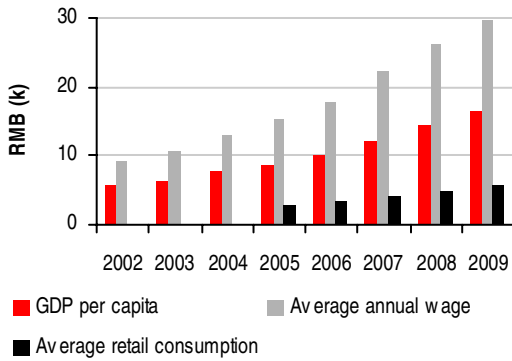
Government income and expenditure 2009 - Anhui



Source: CEIC, Anhui Provincial Department of Finance

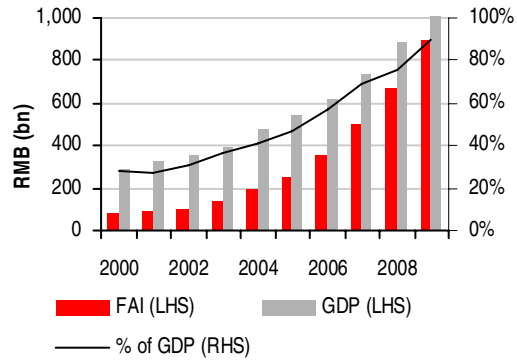
Key growth figures

Per capita income and consumption - Anhui



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Anhui



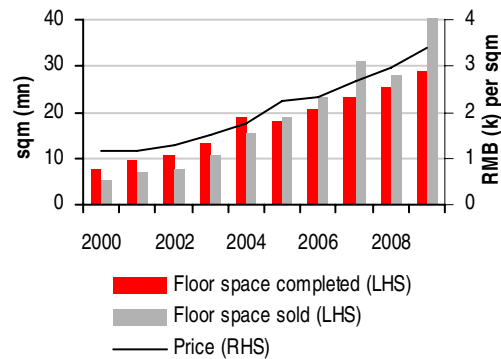
Source: CEIC, HSBC

Exports/imports - Anhui



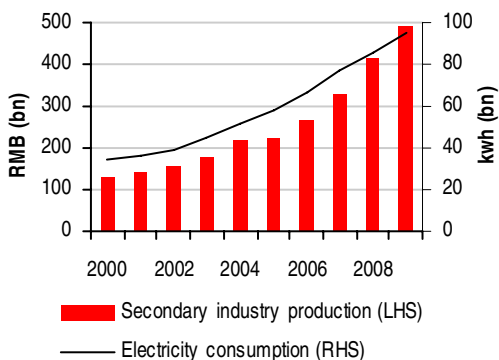
Source: CEIC

Commodity building volume and price - Anhui



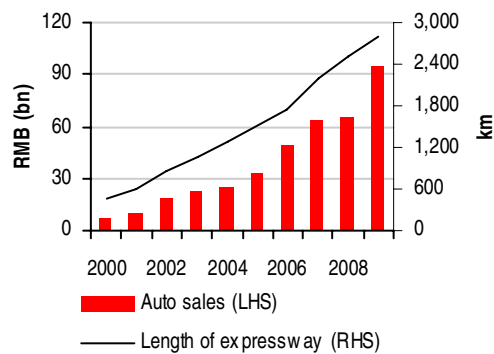
Source: CEIC

Secondary industry production and electricity usage - Anhui



Source: CEIC

Auto sales and expressway growth - Anhui



Source: CEIC

Henan (河南)

Size

Located in eastern central China, Henan has the second largest population among the country's provinces (95m), almost equal to that of the Philippines. Despite this, it is relatively small (ranked 18th in China) yet its GDP is similar to South Africa (ranked 5th), with a GDP per capita that only matches Morocco.

Strengths

Large agriculture base and food industry

Henan is traditionally agriculture-based. It is one of the leading provinces in grain and wheat output and tops production of oil seeds such as wheat and sesame. The fact that the Zhengzhou Commodity Exchange, China's first futures exchange for agriculture products including wheat, cotton, white sugar, pure terephthalic acid, rapeseed oil and early long-grain nonglutinous rice, was set up in the early 1990s in Zhengzhou, the provincial capital, certifies its leading position in agriculture. Henan's primary industry contributed RMB277bn to its 2009 GDP, the second largest in China behind Shandong province.

Food processing, which accounts for more than 14% of secondary industry, is Henan's leading industry, leveraging its strong agriculture base, and also ranks second to Shandong. Henan Shuanghui Group (双汇实业集团) is China's largest meat processor with a strong consumer brand in meat products that has helped push the company into the China Top 100 list.

Transportation hub

Henan, especially the capital Zhengzhou, is a transportation hub due to its central position in China. It has the country's longest expressway system and fifth longest railway network. The Zhengzhou Railway Bureau (郑州铁路局) is one of the largest and oldest railway administrative bodies in China. The rapid build out of highways continues, with approximately 2,700 kilometres of expressways under construction, which will increase the length of the current system by more than 50%.

Being a transport hub has a positive impact on Henan's other major industries that include equipment manufacturing, construction materials and metallurgy. Nearly half of aluminium oxide output of China is produced in Henan.

Giant coal player

Henan is ranked fourth in coal production with 230m tonnes in 2009 and has one of the largest coal reserves in China. Henan Coal Chemical Industry Group (河南煤业化工) is the nation's second largest coal company and there are five other coal companies in Henan that have annual sales of more than RMB10bn.

Large pool of cheap labour

Its critical mass of cheap labour and low land prices add to Henan's advantage of being a transport hub and give it the potential to develop into a large manufacturing hub.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	95	2	Philippines	12
Area (sq km)	165,536	18	Suriname	87
Density (per sq km)	573	6	Mauritius	9
GDP (RMBbn)	1,937	5	South Africa	32
GDP per capita (RMB)	20,597	19	Morocco	105
GDP density (RMB per sqm)	12	8	Slovak Republic	37

Source: CEIC, IMF, CIA, HSBC

Challenges

Dependence on FAI

Similar to its underdeveloped peers in the region, Henan's economic growth remains highly FAI-dependent. In 2009, FAI reached RMB1.37trn, the third largest in China, and equal to almost 70% of its total GDP.

Five-year outlook

Expediting urbanization

Henan aims to maintain its fast economic growth by expediting urbanization in the next 5 years. Building around the capital city of Zhengzhou, Henan will target an annual urbanization rate of at least 1.7% to reach a minimum of 48% by 2015.

Railway expansion

Henan aims to expand its railway coverage from 4,000km as of 2009 to 8,000km by 2020, with the bulk of construction to be completed by the end of 2015.

Major cities (by GDP)

Zhengzhou (郑州, capital), Luoyang (洛阳), Nanyang (南阳), Xuchang (许昌), Pingdingshan (平顶山), Jiaozuo (焦作), Zhoukou (周口), Anyang (安阳), Xinxiang (新乡), Shangqiu (商丘), Xinyang (信阳), Zhumadian (驻马店), Kaifeng (开封), Sanmenxia (三门峡), Puyang (濮阳), Luohe (漯河), Hebi (鹤壁)

Top officials

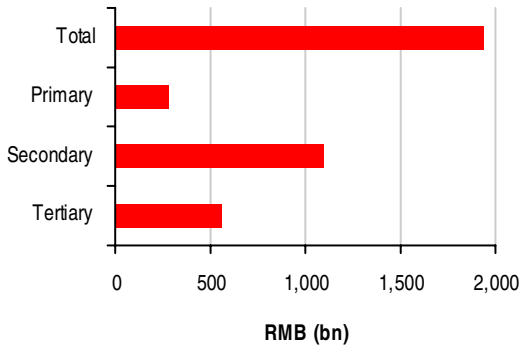
Party Secretary: Lu Zhangong (卢展工)

Governor: Guo Gengmao (郭庚茂)



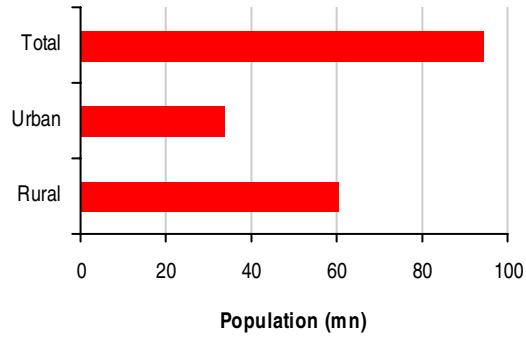
Key financial and demographic data

Annual gross domestic production 2009 - Henan



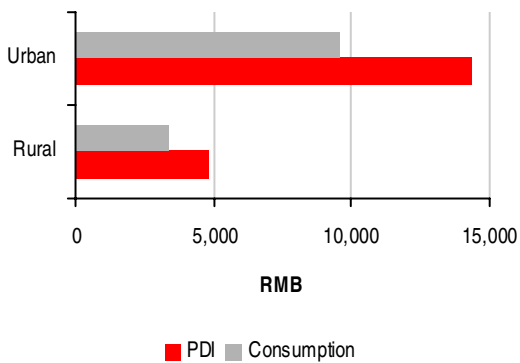
Source: CEIC

Urban and rural population 2009 - Henan



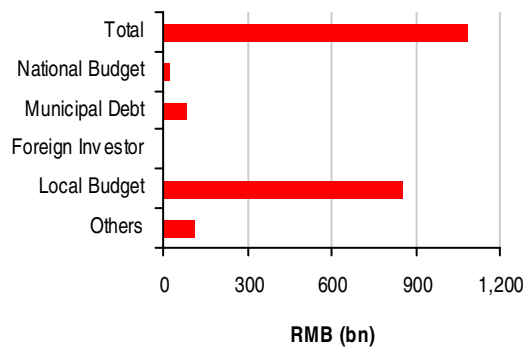
Source: CEIC

Personal disposable income and consumption 2009 - Henan



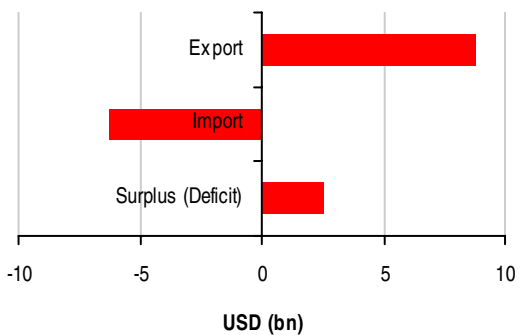
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Henan



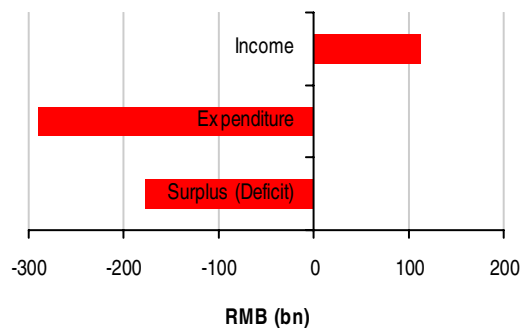
Source: National Bureau of Statistics of China

Foreign trade 2009 - Henan



Source: CEIC

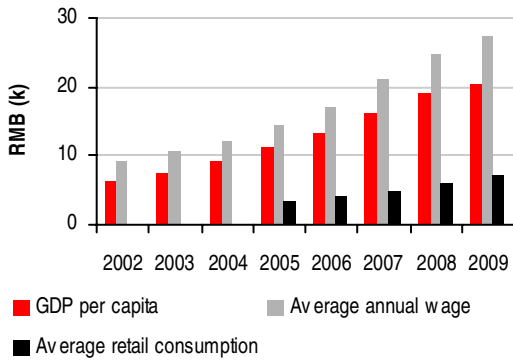
Government income and expenditure 2009 - Henan



Source: CEIC

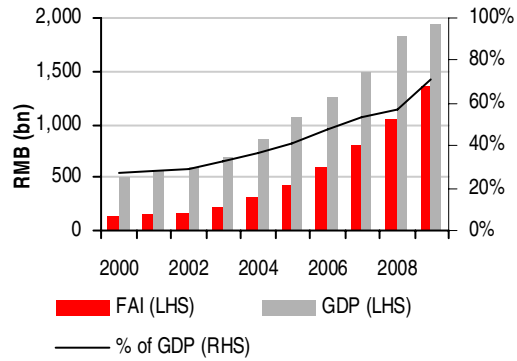
Key growth figures

Per capita income and consumption - Henan



Note average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Henan



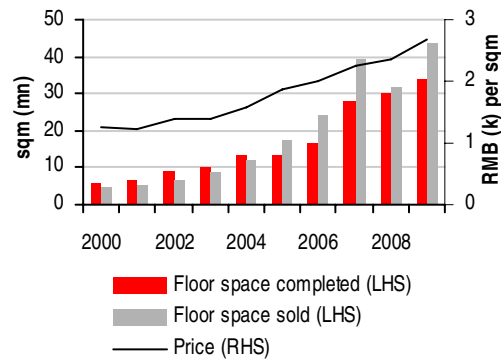
Source: CEIC, HSBC

Exports/imports - Henan



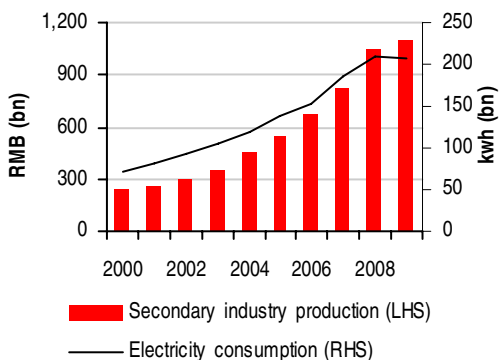
Source: CEIC

Commodity building volume and price - Henan



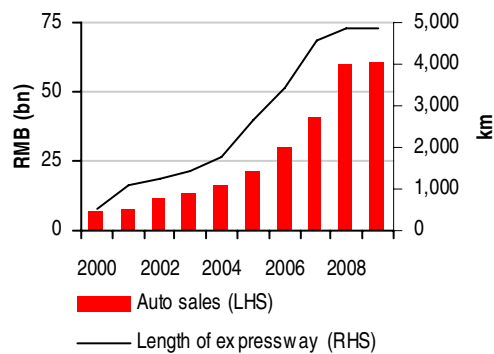
Source: CEIC

Secondary industry production and electricity usage - Henan



Source: CEIC

Auto sales and expressway growth - Henan



Source: CEIC

Hubei (湖北)

Size

Located in central China, Hubei is the only province in the area that doesn't have a direct connection to any coastal provinces. Hubei has a population size of Italy, the land size of Syria, with plains in the east rising to mountains in the west. The Yangtze River runs through the province, including part of the Three Gorges Dam (TGD) project. Hubei has GDP and GDP per capita similar to Egypt and Cape Verde (or Turkmenistan), respectively.

Strengths

Agriculture base

Similar to neighbouring Henan, Hubei is also an important agricultural province, particularly for rice, rapeseed and freshwater products. Its production volumes of rapeseed and freshwater products have led the country for the last 14 years. Hubei is also a big player in tobacco, with China Tobacco Hubei (湖北中烟) as a leading brand.

Leveraging the strength of Wuhan

Hubei's economy is centralized around the capital, Wuhan, which produces nearly 35.5% of the province's GDP. The Wuhan area is traditionally an industrial region, including automobile manufacturing and metallurgy.

Industry leaders in China such as Dongfeng Motor Corporation (东风汽车公司), Wuhan Iron and Steel (Group) Corporation (武汉钢铁集团公司) and Daye Nonferrous (大冶有色金属) are based there. Other major industries include

hydroelectricity and food processing.

Three Gorges Dam: a mixed blessing

As one of the largest construction projects in history, the TGD is expected to have a capacity of 22.5GW, the largest in the world. Hubei and Chongqing share the TGD project, with half in each region. The project not only provides power for each region but also significantly reduces (mainly for Hubei) the risk of potential losses from Yangtze River floods. However, the negative environmental impact of the project has become increasingly noticeable since its completion. Therefore, it's too early to say if Hubei will actually benefit from TGD in the long term.

Challenges

Growth momentum still FAI dependent

Hubei had a GDP of RMB1.3trn in 2009, and ranks 11th in China. The province has grown at a CAGR of 11.4% since 2000, thanks to the continued surge in fixed asset investment. In 2009, total FAI grew to RMB787bn (vs. GDP of RMB1.28trn), 40% more than in 2008. Hubei has to show that its large economy can maintain growth momentum without having to rely on surges in FAI.

Five-year outlook

Building around greater Wuhan

Hubei aims to maintain 10% GDP growth, well above the national target of 8% or less, and to double its per capita GDP by 2020. New industries and transportation networks with a

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	57	9	Italy	24
Area (sq km)	185,888	14	Syrian Arab Republic	84
Density (per sq km)	308	12	Philippines	20
GDP (RMBbn)	1,283	11	Egypt	43
GDP per capita (RMB)	22,677	14	Cape Verde	101
GDP density (RMB per sqm)	7	14	Jamaica	47

Source: CEIC, IMF, CIA, HSBC

focus on high-speed railways will be built around the city of Wuhan, leveraging the concentration of industry base, human capital and infrastructure.

Three investment platforms to lead new growth

Despite concerns over credit risks arising from local government-sponsored investment vehicles, Hubei will continue to rely on three investment entities sponsored by the provincial government to drive growth in the coming five years.

They are the Yangtze River Industrial Investment Company (长江产业投资公司, or 长江投资), Hubei Transport Investment Company (湖北省交通投资公司 or 湖北交投) and Hubei United Development Investment Co., Ltd. (湖北联合发展投资有限公司 or 湖北联投).

A key difference from previous investment programmes is that much of the funding will be in the form of equity instead of debt (bank loans).

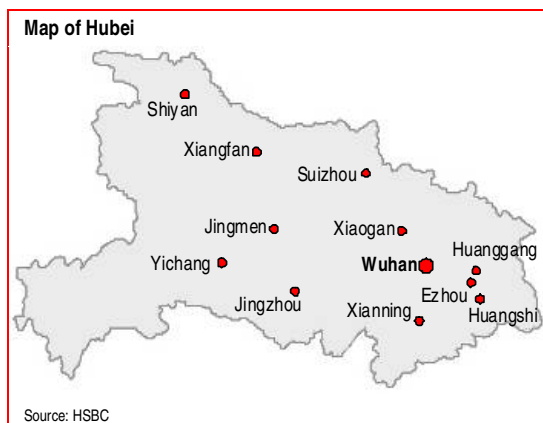
Major cities (by GDP)

Wuhan (武汉, capital), Yichang (宜昌), Xiangfan (襄樊), Jingzhou (荆州), Huanggang (黄冈), Xiaogan (孝感), Jingmen (荆门), Huangshi (黄石), Shiyan (十堰), Xianning (咸宁), Suizhou (随州), Ezhou (鄂州)

Top officials

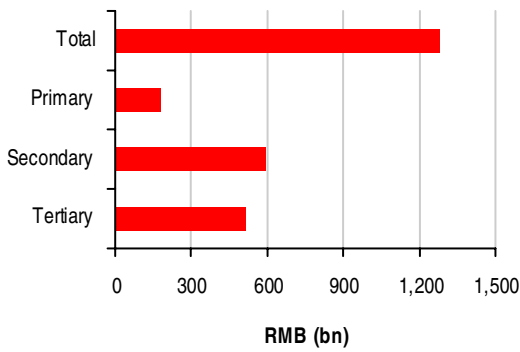
Party Secretary: Li Hongzhong (李鸿忠)

Governor: Wang Guosheng (王国生)



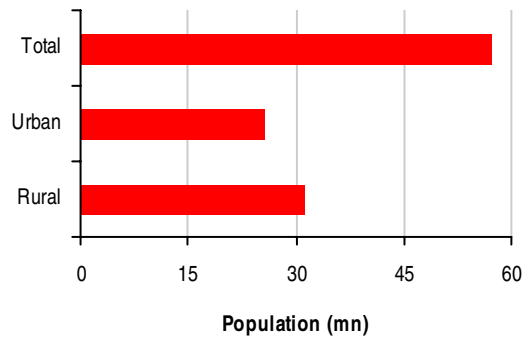
Key financial and demographic data

Annual gross domestic production 2009 - Hubei



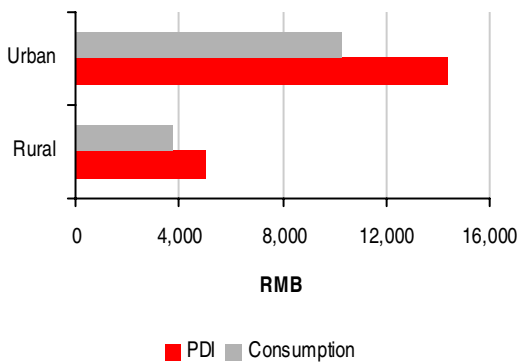
Source: CEIC

Urban and rural population 2009 - Hubei



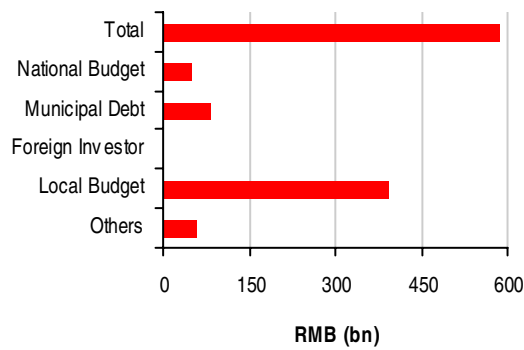
Source: CEIC

Personal disposable income and consumption 2009 - Hubei



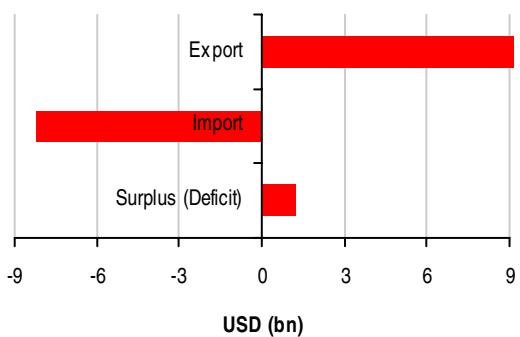
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Hubei



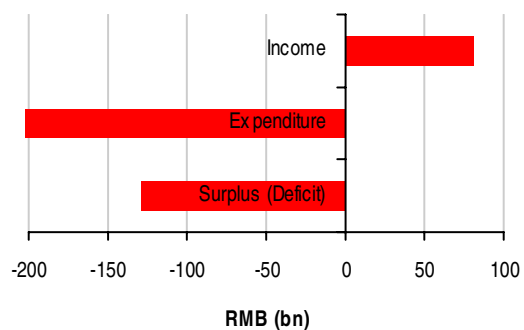
Source: National Bureau of Statistics of China

Foreign trade 2009 - Hubei



Source: CEIC

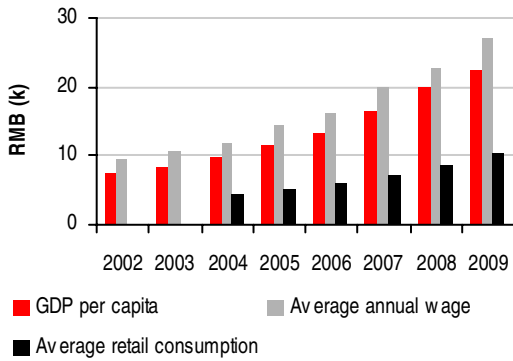
Government income and expenditure 2009 - Hubei



Source: CEIC, Hubei Provincial Bureau of Statistics

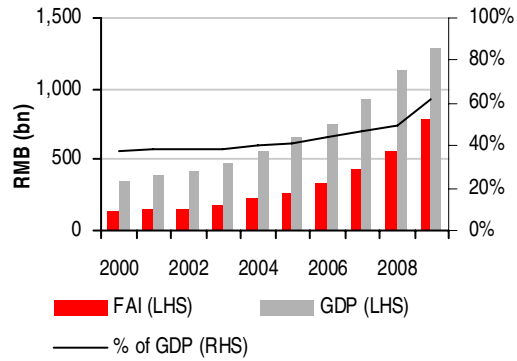
Key growth figures

Per capita income and consumption - Hubei



Note: average retail consumption is not available until 2004
Source: CEIC

Annual fixed asset investment - Hubei



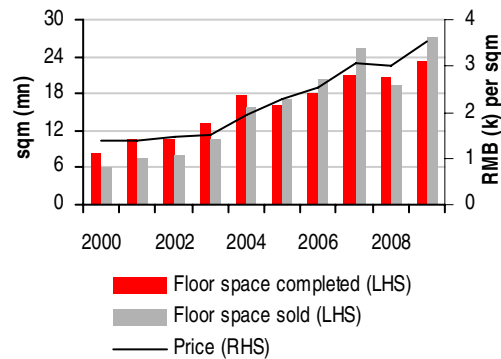
Source: CEIC, HSBC

Exports/imports - Hubei



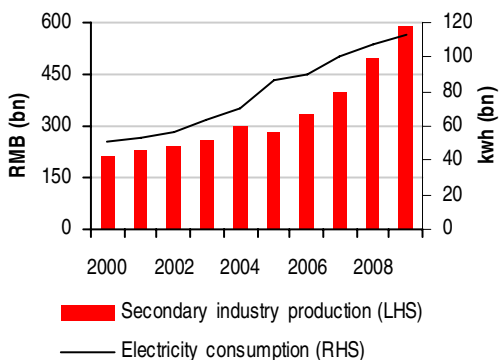
Source: CEIC

Commodity building volume and price - Hubei



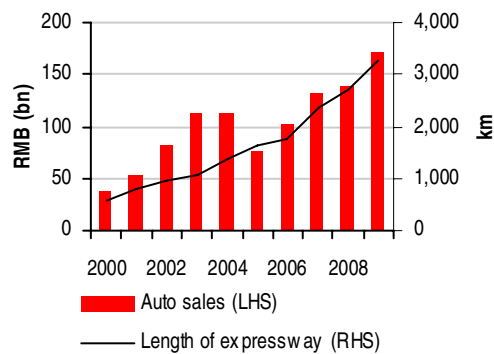
Source: CEIC

Secondary industry production and electricity usage - Hubei



Source: CEIC

Auto sales and expressway growth - Hubei



Source: CEIC

Hunan (湖南)

Size

Located in south central China and to the south of Lake Dongting, the nation's second largest lake, Hunan connects the leader of the Western Region, Chongqing, with the largest economy of Guangdong province. It has a population (64m) similar to France, the land size of Romania, the GDP of Malaysia and GDP per capita of Morocco.

Strengths

Rice and fresh water

Hunan has a large agriculture sector thanks to its fertile soil, temperate climate and supply of fresh water provided by the Yangtze River and Lake Dongting. The province is China's largest rice producer, the second largest manufacturer of tea products and the second largest tobacco producer, behind Yunnan.

Creative entertainment centre

To the surprise of many, Hunan is also a creative entertainment centre ranked behind only the municipalities of Beijing and Shanghai and the province of Guangdong. It is the birthplace of several of the most popular TV shows in China and Hunan TV has been the most watched provincial channel for years. It can be argued that, based on popular opinion, Hunan TV is the second most powerful media influence in the television industry after the central government-run CCTV, although some of its programming remains controversial. Hunan could take its media and entertainment industry to a new level.

Emerging manufacturing hub and auto industry

Hunan has already developed a strong local heavy industry led by companies like Hunan Valin Iron and Steel (湖南华菱钢铁), Changsha Zoomlion Heavy Industry Science & Technology Development Co., Ltd (长沙中联重工), Sany Group (三一集团) and Lengshuijiang Iron and Steel (冷水江钢铁).

Hunan is also an attractive destination for low value-added manufacturers from rich coastal provinces like Guangdong, Zhejiang and Jiangsu. Low wage levels and real estate prices, sufficient primary product supply, and a better environment and cultural climate all help, although its mountainous terrain is a serious disadvantage relative to peers. However, most importantly, Hunan is home to one of the largest populations of migrant workers currently working in (or recently returned from) rich coastal manufacturing bases where they have developed new skills. With opportunities emerging at home, they may be happy to return, even at a much lower nominal wages.

Some of China's major auto manufacturers have already built plants in Hunan, and the auto industry there is expected to continue to grow rapidly. Auto sales in Hunan jumped 83% even during the peak of the financial crisis of 2008. Other parts of Hunan's secondary industry, mainly tobacco, steel, power generation and heavy equipment, will further benefit from its potential to attract more manufacturing businesses.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	64	7	France	21
Area (sq km)	211,855	10	Romania	80
Density (per sq km)	302	13	Philippines	20
GDP (RMBbn)	1,293	10	Malaysia	43
GDP per capita (RMB)	20,428	20	Morocco	105
GDP density (RMB per sqm)	6	15	Sweden	50

Source: CEIC, IMF, CIA, HSBC

Challenges

FAI dependence and low energy efficiency

Hunan suffers from the typical drawbacks that come with emphasizing heavy and low value-added industries. Its total fossil energy efficiency is low while dependence on FAI for growth is high, with its latest FAI to GDP ratio at 0.6.

Five-year outlook

Maintaining growth momentum

Hunan will continue its massive infrastructure construction in the next five years, while nurturing its emerging and high tech industry. The province is prepared to take advantage of the ongoing migration of manufacturing activities from rich coastal provinces such as Guangdong and Zhejiang to low cost areas such as Hunan.

Develop the western part of Hunan

For its 12th Five-Year Plan, Hunan aims to develop the western part of the province with a goal of doubling the area's GDP by 2015. In particular, tourism income is expected grow at an annual rate of 25% in the next five years.

Major cities (by GDP)

Changsha (长沙, capital), Yueyang (岳阳), Changde (常德), Hengyang (衡阳), Zhuzhou (株洲), Chenzhou (郴州), Xiangtan (湘潭), Yongzhou (永州), Shaoyang (邵阳), Yiyang (益阳), Loudi (娄底), Huaihua (怀化), Zhangjiajie (张家界)

Top officials

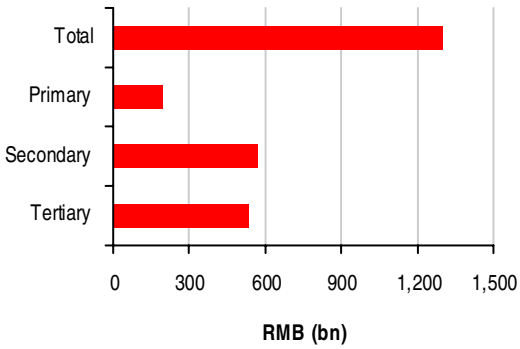
Party Secretary: Zhou Qiang (周强)

Governor: Xu Shousheng (徐守盛)



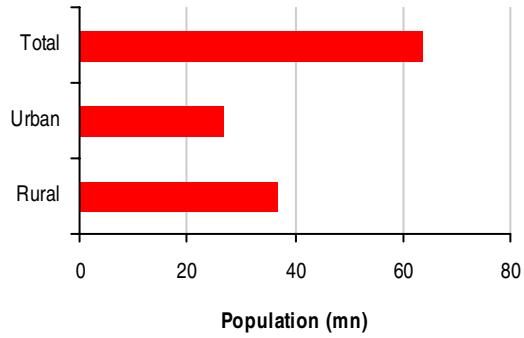
Key financial and demographic data

Annual gross domestic production 2009 - Hunan



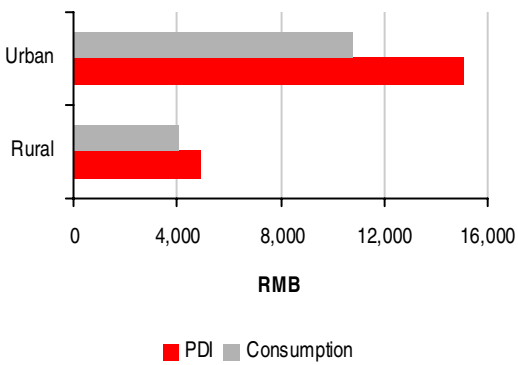
Source: CEIC

Urban and rural population 2009 - Hunan



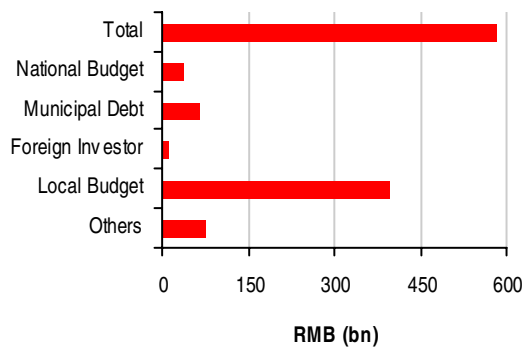
Source: CEIC

Personal disposable income and consumption 2009 - Hunan



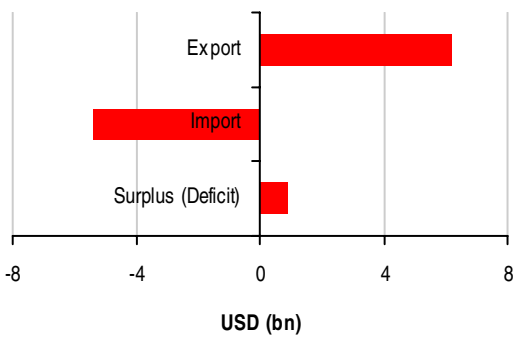
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Hunan



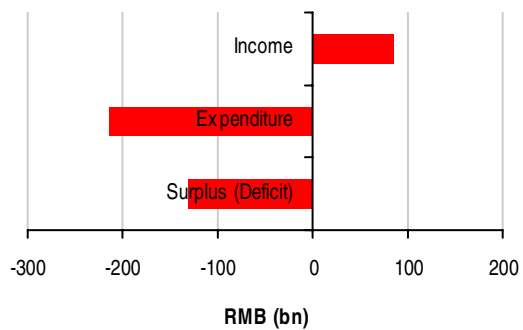
Source: National Bureau of Statistics of China

Foreign trade 2009 - Hunan



Source: CEIC

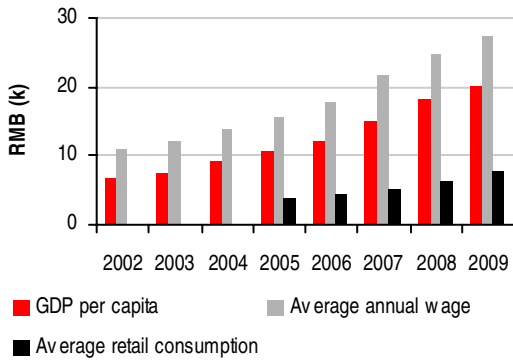
Government income and expenditure 2009 - Hunan



Source: CEIC

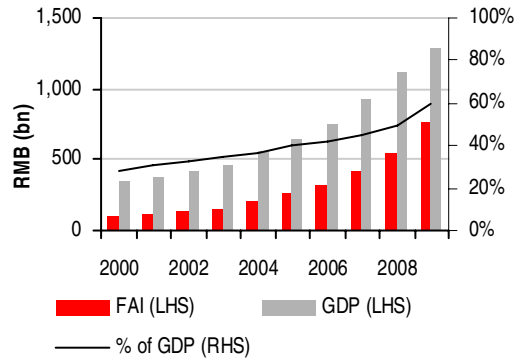
Key growth figures

Per capita income and consumption - Hunan



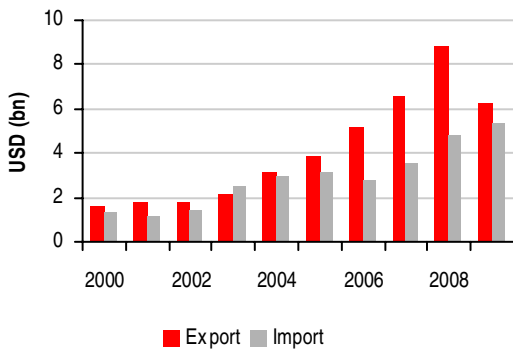
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Hunan



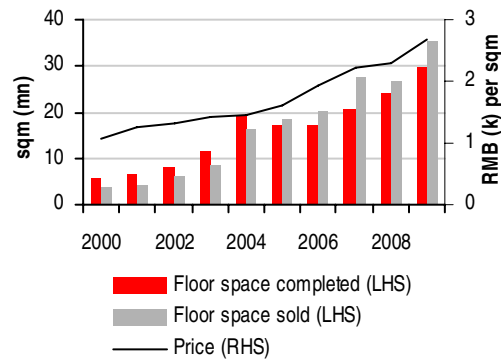
Source: CEIC, HSBC

Exports/imports - Hunan



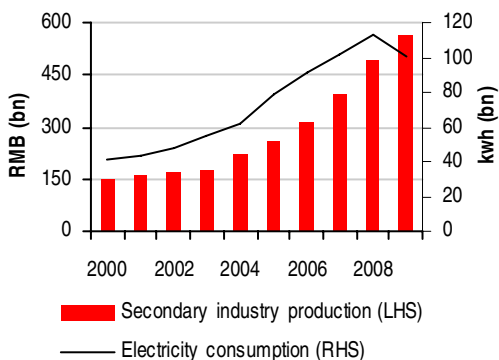
Source: CEIC

Commodity building volume and price - Hunan



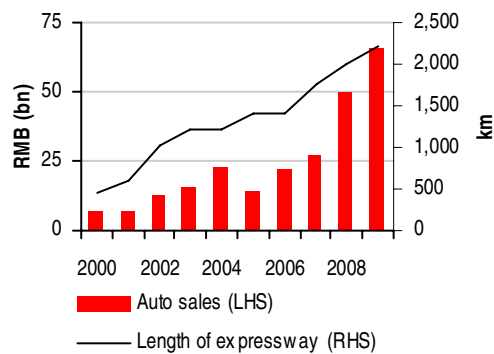
Source: CEIC

Secondary industry production and electricity usage - Hunan



Source: CEIC

Auto sales and expressway growth - Hunan



Source: CEIC

Jiangxi (江西)

Size

Jiangxi is an inland province in southeast China, bordering Guangdong, Zhejiang and four other provinces. It has a population of 44m, similar to Colombia, with 59% living in rural areas. Jiangxi has the land area of Uruguay, GDP comparable to Kuwait and GDP per capita similar to the Republic of Congo.

Strengths

Rich in natural resources

Jiangxi is very rich in minerals and its reserves lead the nation in 22 different types of resources, including copper, gold, silver and rare earths. Consequently, metal-related mining, smelting and pressing dominate its secondary industry with Jiangxi Copper Corporation (江西铜业集团), Xingang Group (新余钢铁集团) and Jiangxi Pinggang Co. (江西萍钢实业) being the major industry players. Rich resources also attract foreign capital, making Jiangxi the second fastest growing provincial destination for FDI in China. With an astonishingly high CAGR of 41% from 2000 to 2008, Jiangxi utilized USD3.6bn FDI in 2008, ranking it 12th in the nation that year, up from 22nd in 2000.

Cheap labour and land

Jiangxi has the lowest average wage in China, around RMB1,200 or USD180 per month. This is despite a 24% rise in the minimum wage from RMB580 to RMB720 early this year. Along with the third lowest property prices in China, Jiangxi has the potential to lure manufacturing activities

from the neighbouring provinces of Guangdong and Zhejiang, two of the richest in China.

Agriculture base

About 15% of its GDP is contributed by primary industry, 50% above the national average, as Jiangxi is a major producer of rice, freshwater products, timber and bamboo due to its climate and forests – 60% of its area is covered by forest, the second highest in China behind Fujian.

Challenges

Low-tech and risk of brain drain

With its cheap labour and land, much of Jiangxi's economy remains at the low-end of the value chain. For example, the city of Jingdezhen has been producing quality china and pottery for centuries. However, due to a lack of technology and creativity, manufacturers now make high volume, low-end products.

There is also a flip side to cheap labour. Neighbouring provinces Guangdong and Zhejiang lead the country in wages and have been attracting talent from Jiangxi, a brain drain that is yet to be reversed. Consequently, Jiangxi has been caught in a vicious cycle of low skill, low value-added, low innovation and low energy efficiency, representing a hollowing out risk to its rich metal resources unless structural changes take place.

Jiangxi's recent economic growth has been largely driven by FAI, with a FAI to GDP ratio of 0.88 in 2009, the second highest in the country. FAI CAGR was 33% from 2001 to 2009, the highest in China over the period.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	44	13	Colombia	29
Area (sq km)	166,894	17	Uruguay	87
Density (per sq km)	266	16	Vietnam	27
GDP (RMBbn)	759	19	Kuwait	55
GDP per capita (RMB)	17,335	25	Republic of Congo	114
GDP density (RMB per sqm)	5	18	Romania	53

Source: CEIC, IMF, CIA, HSBC

Five-year outlook

Developing nuclear, solar and wind energy

New energy is targeted to account for 8% and 15% of total energy consumption by 2015 and 2020, respectively. Locations for new nuclear energy power projects have been identified and total installed wind power capacity is expected to reach at least 60m kilowatts by 2015.

Railway expansion

Jiangxi will spend RMB180bn in the next 5 years to build 1,900km of new railway lines, taking the length of the total network to 5,800km. Given that Jiangxi has recently raised its 2012 target to 4,000km – 500km ahead of the original schedule – the old target may well be raised again.

Major cities (by GDP)

Nanchang (南昌, capital), Ganzhou (赣州), Jiujiang (九江), Shangrao (上饶), Yichun (宜春), Jian (吉安), Fuzhou (抚州), Xinyu (新余), Pingxiang (萍乡), Jingdezhen (景德镇), Yingtan (鹰潭)

Top officials

Party Secretary: Su Rong (苏荣)

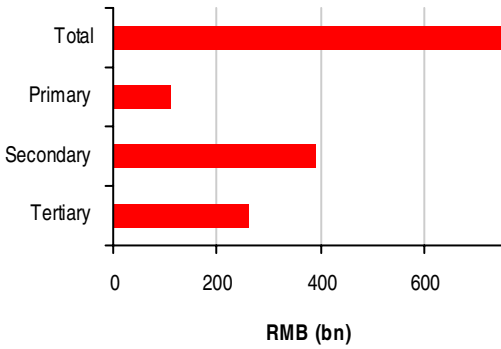
Governor: Wu Xinxiong (吴新雄)

Map of Jiangxi



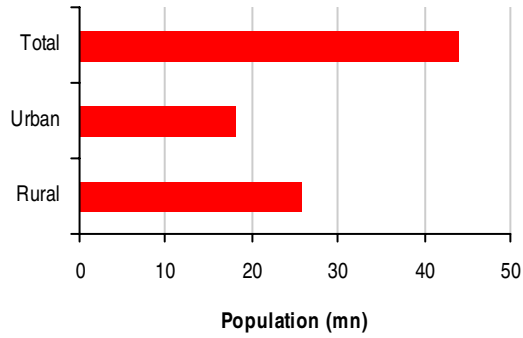
Key financial and demographic data

Annual gross domestic production 2009 - Jiangxi



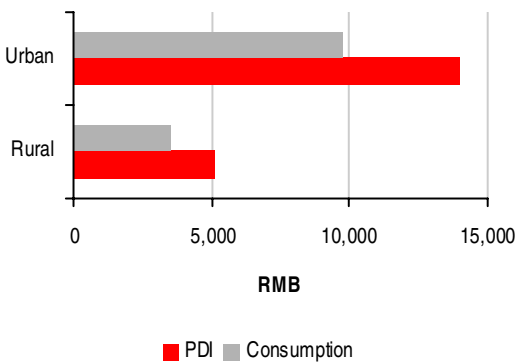
Source: CEIC

Urban and rural population 2009 - Jiangxi



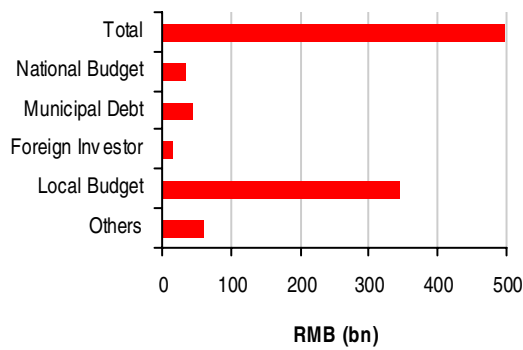
Source: CEIC

Personal disposable income and consumption 2009 - Jiangxi



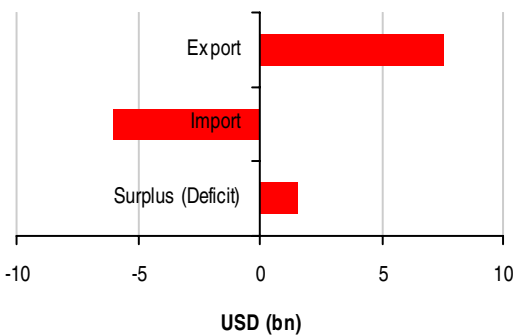
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Jiangxi



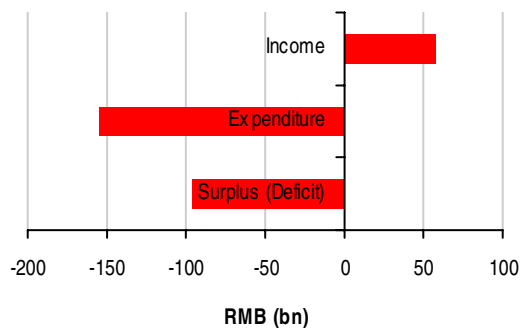
Source: National Bureau of Statistics of China

Foreign trade 2009 - Jiangxi



Source: CEIC

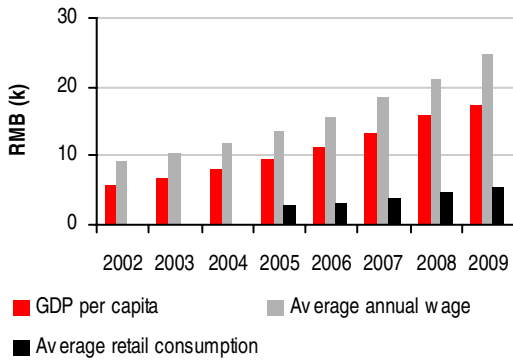
Government income and expenditure 2009 - Jiangxi



Source: CEIC

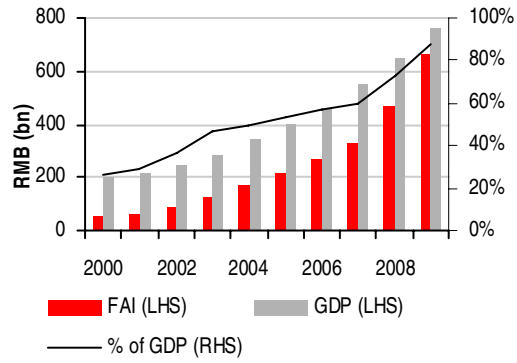
Key growth figures

Per capita income and consumption - Jiangxi



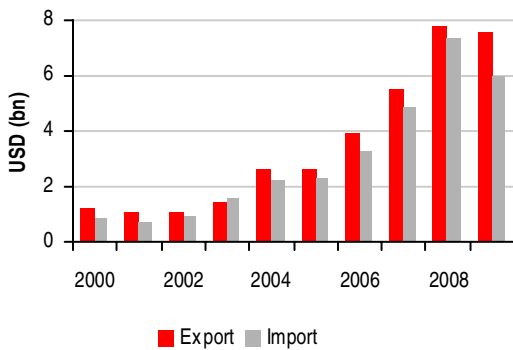
Note: Average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Jiangxi



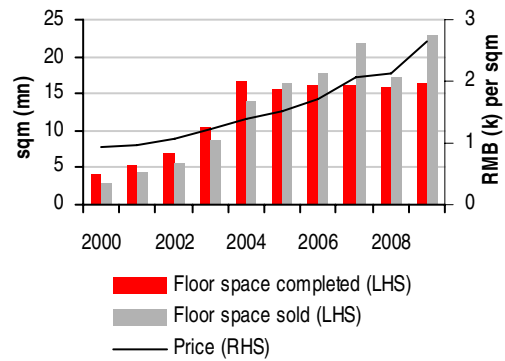
Source: CEIC, HSBC

Exports/imports - Jiangxi



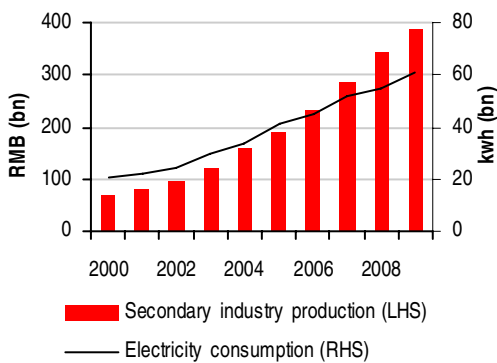
Source: CEIC

Commodity building volume and price - Jiangxi



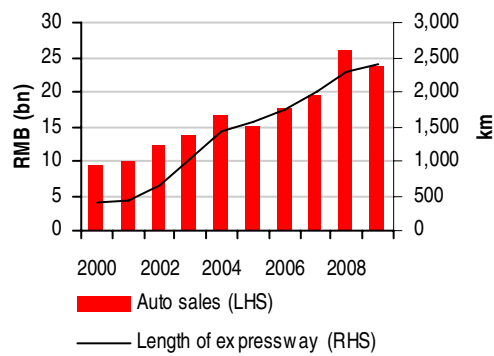
Source: CEIC

Secondary industry production and electricity usage - Jiangxi



Source: CEIC

Auto sales and expressway growth - Jiangxi



Source: CEIC

Shanxi (山西)

Size

Located in central China, Shanxi has the population of Canada, is the size of Tunisia and has the GDP of Bangladesh (or Kuwait), metrics that all rank in the mid-range of China's provinces.

Strengths

Coal and coal-driven economy

Shanxi is extremely rich in coal and led the country in proven coal reserves of 207bn tonnes up to 2006 (approximately 30% of the national total) but was overtaken by Inner Mongolia in proven reserves in 2007 and production in 2009.

Its vast coal resources – the country's primary energy source – have attracted investment in related sectors such as railways and highway building, power plants, mining, metallurgy, coal related chemical research and products, heavy machine products and other heavy industries. Shanxi is also reported to have large reserves of coal bed gas.

The province has the largest group of coal companies in China. Shanxi Coking Coal Group (山西焦煤集团) and Shanxi Coal Transportation and Sales Group (山西煤炭运销集团) are the leaders, both with annual sales above RMB70bn.

Because of its exclusive focus on coal and related industries, Shanxi needs to import many other products such as food, electronics, cars and textiles from other provinces and overseas.

Challenges

Poor energy efficiency

Shanxi's fossil energy consumption is almost 100% dependent on coal. Its annual energy and coal consumption are both the second highest in China, yet its GDP is ranked 21st (RMB737bn in 2009), reflecting poor energy efficiency. It costs 0.29kg of coal-equivalent energy in Shanxi for every RMB of GDP, the second highest in the nation and 7 times higher than the most efficient provinces of Guangdong and Jiangsu.

Pollution and dangerous work places

Shanxi is the most polluted province in China. Frequent mine accidents is another huge problem. The death ratio of mine accidents in Shanxi is 10 times higher than in the US due to out of date equipment and technology, negligence of mine owners and workers and poor mine conditions. Fatal accidents have also cost the political careers of several promising officials in the past, making it a risky assignment to head the province.

The poor quality of its environment is also reflected in the local property market. Property sales in Shanxi have been fewer than in comparable provinces such as Shaanxi and Jilin which have similar populations, wage levels and even slightly higher prices.

The province started to tackle these problems in 2009 through the forced closure of half its mines, but there is still a long way to go.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mn)	34	19	Canada	36
Area (sq km)	156,711	20	Tunisia	88
Density (per sq km)	219	18	Germany	31
GDP (RMBbn)	737	21	Bangladesh	56
GDP per capita (RMB)	21,522	17	Tonga	103
GDP density (RMB per sqm)	5	16	Finland	52

Source: CEIC, IMF, CIA, HSBC

Five-year outlook

A “new-look” Shanxi is the target

Shanxi aims to become less dependent on coal and to double the size of its economy while becoming a modern manufacturing base and the logistics centre for central and western areas.

Expediting urbanization

Shanxi aims to increase its urbanization rate by 1.8% every year for the next five years, creating 3m more city dwellers and RMB300bn in new investment demand to reach an urbanization rate of 55% by the end of 2015. As a result, the capital, Taiyuan, will become an expanded metropolitan area.

Major cities (by GDP)

Taiyuan (太原, capital), Changzhi (长治), Linfen (临汾), Yuncheng (运城), Jinzhong (晋中), Luliang (吕梁), Jincheng (晋城), Datong (大同), Shuozhou (朔州), Yangquan (阳泉), Xinzhou (忻州)

Top officials

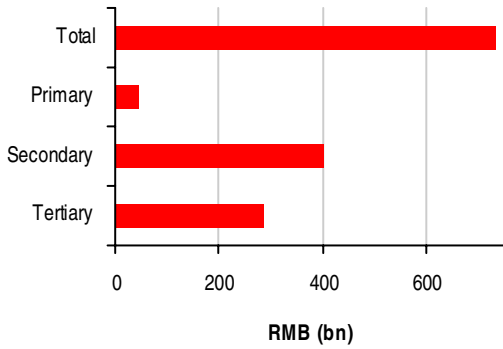
Party Secretary: Yuan Chunqing (袁纯清)

Governor: Wang Jun (王君)



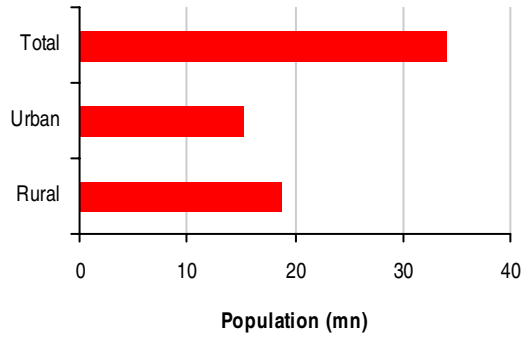
Key financial and demographic data

Annual gross domestic production 2009 - Shanxi



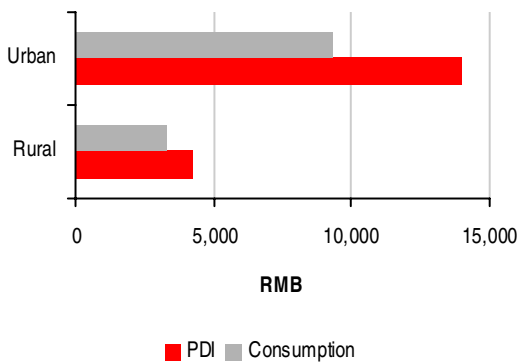
Source: CEIC

Urban and rural population 2009 - Shanxi



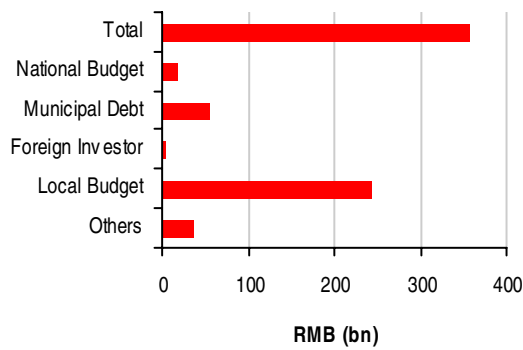
Source: CEIC

Personal disposable income and consumption 2009 - Shanxi



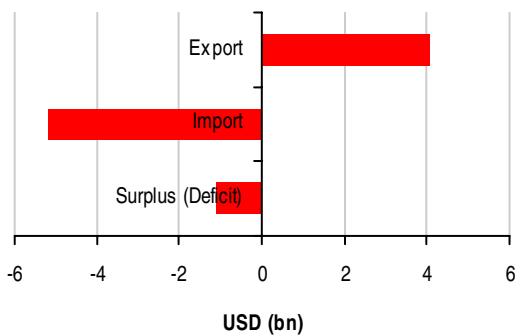
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Shanxi



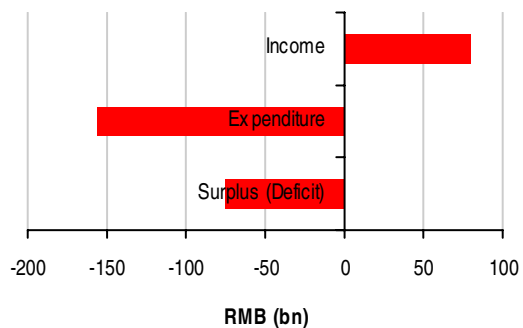
Source: National Bureau of Statistics of China

Foreign trade 2009 - Shanxi



Source: CEIC

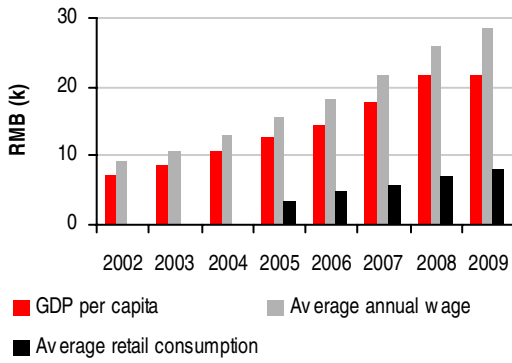
Government income and expenditure 2009 - Shanxi



Source: CEIC

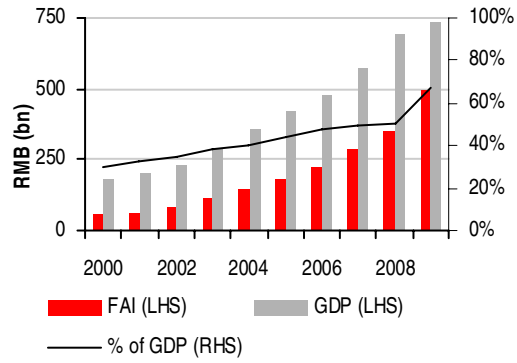
Key growth figures

Per capita income and consumption - Shanxi



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Shanxi



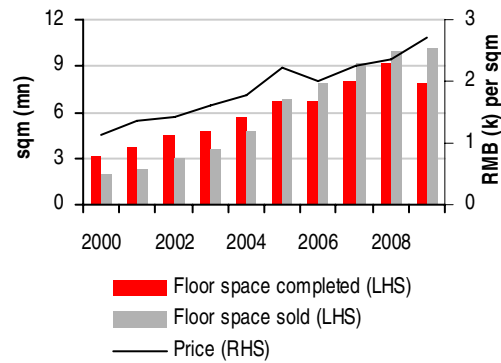
Source: CEIC, HSBC

Exports/imports - Shanxi



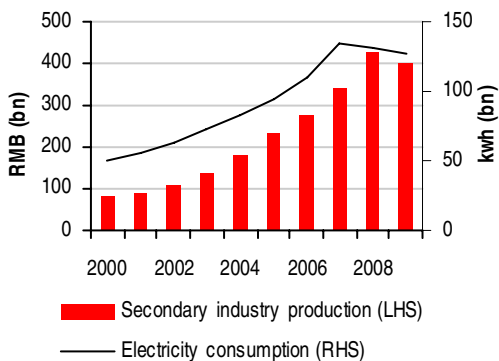
Source: CEIC

Commodity building volume and price - Shanxi



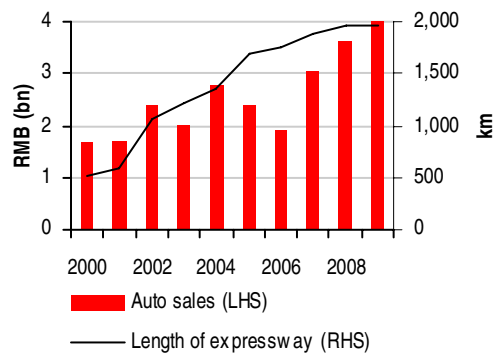
Source: CEIC

Secondary industry production and electricity usage - Shanxi



Source: CEIC

Auto sales and expressway growth - Shanxi



Source: CEIC

Northeast Region

- ▶ China's agricultural and heavy industry base, thanks to fertile land and rich reserves of natural resources
- ▶ The "Revitalize the Old Northeast Industrial Base" program has underpinned growth since 2005 and will continue to do so

Figure 24: Map of the Northeast Region



The Northeast has a land area similar to Pakistan, a population close to that of Mexico and a GDP of RMB3trn in 2009, similar to Poland's. Although it is China's smallest region with only three provinces, its per capita GDP is second only to the Eastern Region, thanks to its fertile land, rich reserves of natural resources and traditional industrial heritage.

Heavy industry and agricultural base

The Northeast Region was China's industrial workshop in the mid-1900s, especially after the discovery of massive oil and iron reserves. Significant heavy industrial bases were developed in the region, bringing with it an upgraded

transport system and earlier urbanization than in most other provinces. Although growth stalled in the 1980s, with millions laid off from SOEs, the region remains an important centre of agriculture and heavy industry, with respective 2009 sector GDPs of RMB355bn and RMB1,523bn.

The northern part of the region is largely covered by the Greater Khingan (大兴安岭) and Lesser Khingan (小兴安岭) forests and black earth plain, which provide rich natural resources and fertile land. It is one of China's major grain bases and leads the production of organic foods and milk.

Natural resources provide the backbone for the region's industrial activities. In Heilongjiang province, the Daqing oil field has been China's largest source of crude oil for over 50 years. Despite reserve depletion over the years plus new discoveries elsewhere, the region is still expected to maintain its leading position in oil for at least 8-10 years. Downstream industries in oil refining and petrochemicals have also picked up in the surrounding areas.

Liaoning province has 24% of China's total iron ore reserves, underpinning a strong iron and steel industry which has become an important regional pillar. Automobile manufacturing has also become another important industry in the region and Jilin province has the country's third largest auto

Region summary

	2009	Ranking	Comparable country	Rank as a country
Population (mn)	109	4	Mexico	14
Area (sq km)	791,833	4	Pakistan	40
Density (per sq km)	137	3	Uganda	50
GDP (RMBbn)	3,056	4	Poland	25
GDP per capita (RMB)	28,072	2	Algeria	91
GDP density (RMB per sqm)	4	3	Costa Rica	61

Source: HSBC, CEIC, IMF, CIA

company, China FAW Group Corporation (中国第一汽车集团公司).

Northeast China Revitalization

The region's growth has lagged behind the rest of China since the start of economic reform in 1979 even in the area of heavy industry where it used to lead the country. Tens of millions of workers in state-owned factories have been laid off over the years as the region failed to upgrade outdated technology and management.

In 2003, the State Council launched the Northeast China Revitalization or Revitalize the Old Northeast Industrial Base project (振兴东北老工业基地), backed by massive subsidies. The program aimed to reinvigorate traditional industry with technology upgrades, inter-provincial co-operation and structural reforms.

Since then, the region seems to have regained its growth momentum. For example, thanks to a large pick-up in FAI (CAGR of 32.6% since 2005 vs. a national average of 26.2%), the region's real GDP is growing at an annual rate of 13.5%³, compared with 12.7% and 13% for the Eastern Region and the Central Region, respectively, over the same period.

The region has also become an attractive destination for foreign capital since 2005, with an FDI CAGR of 40.1%, double the national average, laying a solid foundation for continued growth in coming years.

Meanwhile, the southern part of the region has increasingly focused on service industries and foreign trade. For example, the Dalian Commodity Exchange has become the second largest commodity market in China (10th in the world) and the world's second largest futures market for soybeans. Dalian has also developed port services, local and international financial services, software design and high-end manufacturing.

³ Based on a weighted average of real GDP rates at the provincial level, which are usually higher than headline GDP at the national level.

Heilongjiang (黑龙江)

Size

Located in the northeast corner of China and bordering Russia to the north, Heilongjiang has a population the size of Poland, a land area similar to Sweden, GDP the size of Peru (ranked 16th in China) and per capita GDP of RMB21,665 or USD3,280.

Strengths

Largest oil field

Since the discovery of the Daqing oilfield in 1959, Heilongjiang has become the major source of petroleum for the country. This field has produced over 10bn barrels of oil since production started in 1960. In 2009, it produced 40m tonnes of crude oil, accounting for 21% of the nation's total domestic production. Its current production rate is about 1m barrels a day, making it the fourth most productive oil field in the world.

Many downstream industries like petrochemicals and refining have been established around the area, representing the largest portion of the province's industry sector.

Other major natural resources include gold and graphite.

Proximity to Russia

The province's border between China and Russia is the most active avenue for bilateral trade with USD11.6bn goods exchanged in 2009. Light industry products from China are mainly exchanged for Russia's heavy industry and energy products.

Black earth

Heilongjiang is famous for its fertile black earth which produces excellent wheat, rice and corn harvests. The province is a major grain base and a leading producer of organic foods. Heilongjiang has the highest milk production in China.

Heilongjiang Agriculture Company (黑龙江北大荒农垦集团) and Jiusan Oil & Fat Co. (九三粮油工业集团) are not only the province's largest companies but also the country's leading agriculture players.

Challenges

Oil dependency and risk post-Daqing era

After 50 years of production, the Daqing field has been depleted, leaving the remaining reserves increasingly costly to extract. Heilongjiang is the only major oil province that has experienced a reduction in production every year since 2000. A new growth engine is needed to replace shrinking GDP contribution from the Daqing field.

Five-year outlook

Speeding up

Heilongjiang plans to accelerate its growth by doubling both its nominal GDP and government revenue by 2015 to RMB1.7trn and RMB130bn, respectively, from their levels in 2010. The target nominal GDP growth rate of 15% will be its highest since China's economic reform began in 1979.

RMB120bn water project

Agriculture needs water to sustain harvests. Heilongjiang plans to spend RMB120bn in the next five years on water conservation projects.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mm)	38	15	Poland	33
Area (sq km)	452,645	6	Sweden	52
Density (per sq km)	85	26	Greece	78
GDP (RMBbn)	829	16	Peru	52
GDP per capita (RMB)	22,447	16	Samoa	103
GDP density (RMB per sqm)	2	25	Vietnam	86

Source: CEIC, IMF, CIA, HSBC

Regional airport expansion

Heilongjiang plans to build another three or four regional airports (it already has nine) in the next five years to increase airport density from the current 0.2/million sq km to 0.25/million sq km. This is despite the fact that China's top 20 airports carry 80% of passenger traffic while the rest are largely underused.

New industries such as equipment manufacturing, energy, petrochemicals, textiles and food processing are planned.

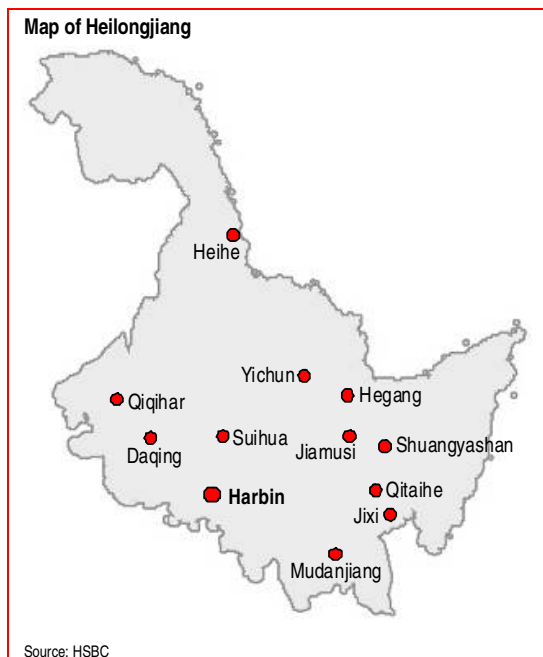
Major cities (by GDP)

Harbin (哈尔滨, capital), Daqing (大庆), Qiqihar (齐齐哈尔), Suihua (绥化), Mudanjiang (牡丹江), Jiamusi (佳木斯), Jixi (鸡西), Shuangyashan (双鸭山), Heihe (黑河), Qitaihe (七台河), Hegang (鹤岗), Yichun (伊春)

Top officials

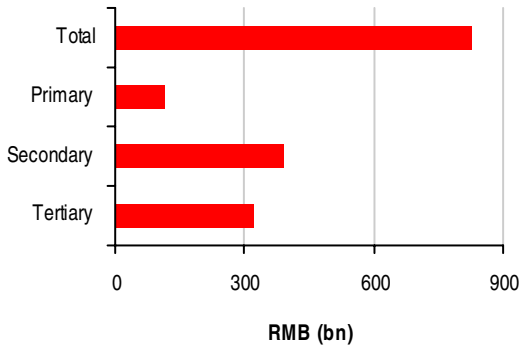
Party Secretary: Ji Bingxuan (吉炳轩)

Governor: Wang Xiankui (王宪魁)



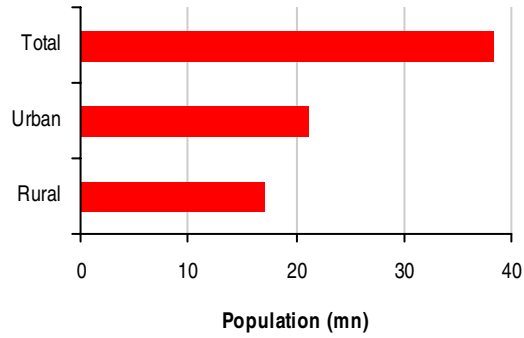
Key financial and demographic data

Annual gross domestic production 2009 - Heilongjiang



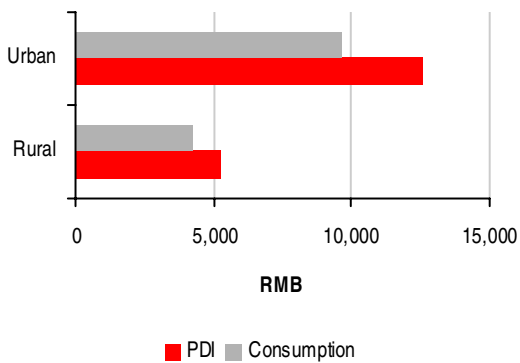
Source: CEIC

Urban and rural population 2009 - Heilongjiang



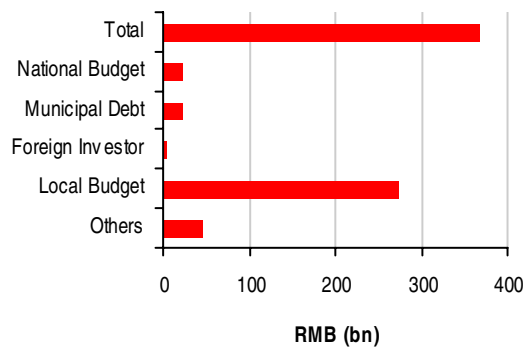
Source: CEIC

Personal disposable income and consumption 2009 - Heilongjiang



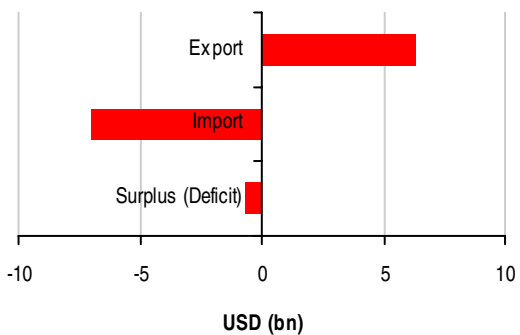
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Heilongjiang



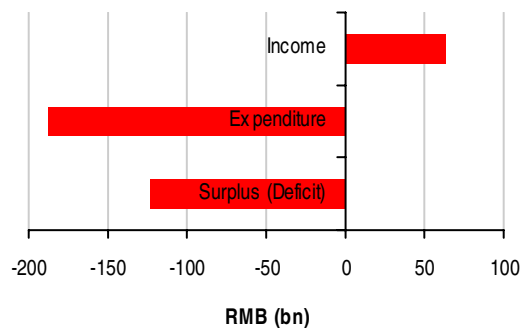
Source: National Bureau of Statistics of China

Foreign trade 2009 - Heilongjiang



Source: CEIC

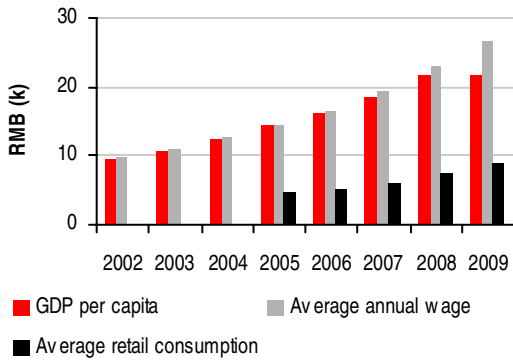
Government income and expenditure 2009 - Heilongjiang



Source: CEIC

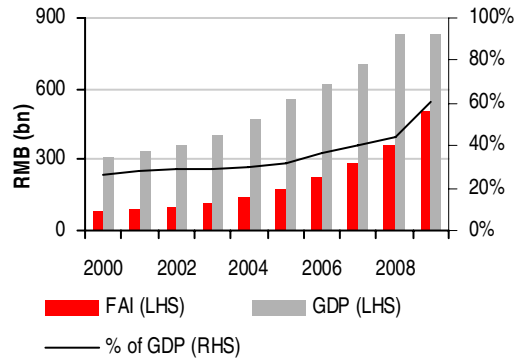
Key growth figures

Per capita income and consumption - Heilongjiang



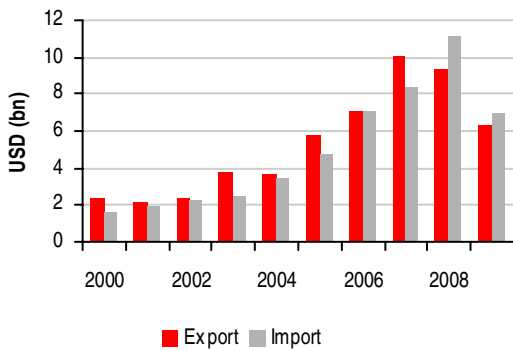
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Heilongjiang



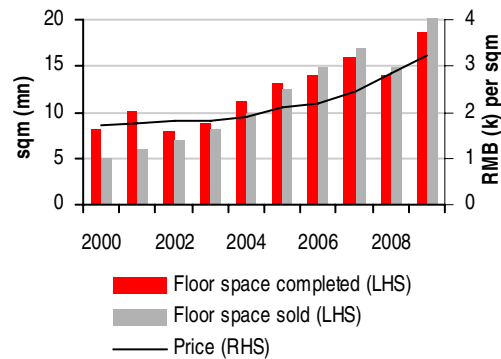
Source: CEIC, HSBC

Exports/imports - Heilongjiang



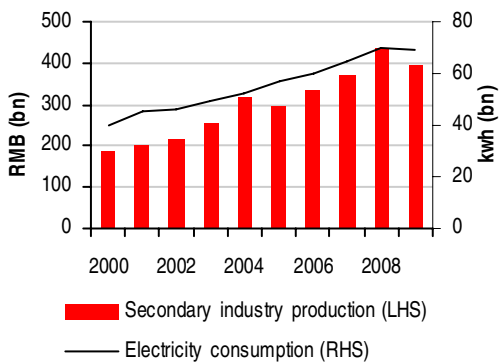
Source: CEIC

Commodity building volume and price - Heilongjiang



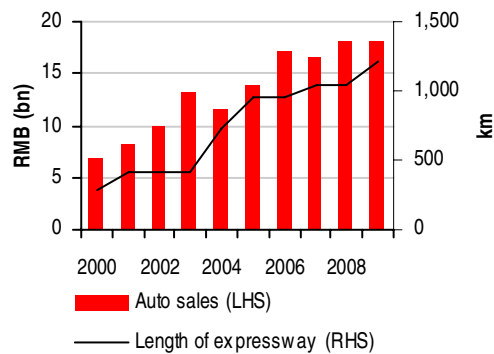
Source: CEIC

Secondary industry production and electricity usage - Heilongjiang



Source: CEIC

Auto sales and expressway growth - Heilongjiang



Source: CEIC

Jilin (吉林)

Size

Located in the middle of northeast China, Jilin has a population the size of Malaysia; the land area of Senegal, a population density that mirrors China's average, a GDP similar to Vietnam and a per capita GDP close to the Maldives.

Strengths

Traditional heavy industry base

Jilin was one of the first provinces to develop large scale heavy industry in China. Automobile manufacturing, machinery equipment and petrochemicals are still the province's pillar industries. Its automobile industry led the country even before the birth of the new China in 1949. Guangdong, Shanghai and Beijing have made rapid progress in recent years but Jilin still had the second largest production volumes in 2008. China FAW Group Corporation (中国第一汽车集团公司) is the third largest automobile company and the 21st largest company in China overall. Jilin's other large heavy industrial players in iron, steel and cement are Tonghua Iron & Steel Group (通化钢铁集团) and Jilin Yatai Group (吉林亚泰).

Jilin has a well-established 4,000km railway system which is better than in most other provinces, connecting all the major cities and important industry locations.

Pharmaceuticals

Benefiting from the abundant supply of minerals and herbs, Jilin has a well-developed Chinese traditional medicine industry and is one of the top

regions for pharmaceuticals. Jilin leads the country in the production of ginseng and deer antlers, two of the most valuable traditional Chinese medicine products, which sell all over the world. Xiuzheng Pharmaceutical Group (修正药业集团) is a fast-growing private enterprise that sells medicines domestically.

Railway connection to North Korea

Jilin is the only province that has railway access to neighbouring North Korea. This raises its strategic importance should North Korea embark on liberal economic reforms.

Challenges

Moving up the value chain

Jilin urgently needs to upgrade its traditional heavy industry and move up the value chain. So far, its growth is largely FAI-driven with a FAI to GDP ratio of 0.89 in 2009. Diversification away from heavy industry is another priority.

Five-year outlook

Culture: new pillar industry

Jilin's new Five-Year Plan calls for the development of a new pillar industry that includes radio and television, journalism, publishing, performing arts and entertainment, animation games, digital transmission, network services, cultural exhibition, entertainment and arts training, arts and crafts. The aim is to increase the GDP share of these 10 industries from 4.9% to 6%.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mm)	27	21	Malaysia	45
Area (sq km)	191,124	12	Senegal	83
Density (per sq km)	143	23	China	45
GDP (RMBbn)	720	22	Vietnam	56
GDP per capita (RMB)	26,595	11	Maldives	95
GDP density (RMB per sqm)	4	20	Philippines	60

Source: CEIC, IMF, CIA, HSBC



Major cities (by GDP)

Changchun (长春, capital), Jilin (吉林),
Songyuan (松原), Siping (四平), Tonghua (通化),
Baishan (白山), Baicheng (白城), Liaoyuan (辽源)

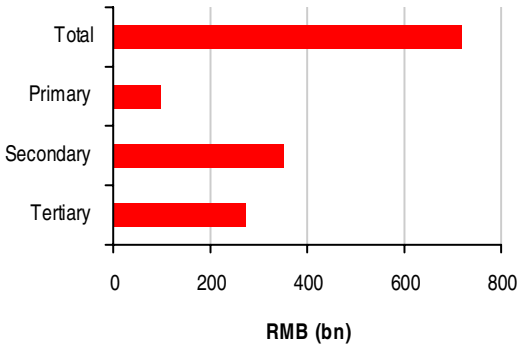
Top officials

Party Secretary: Sun Zhengcai (孙政才)

Governor: Wang Rulin (王儒林)

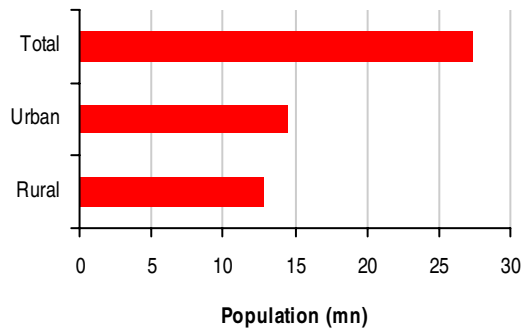
Key financial and demographic data

Annual gross domestic production 2009 - Jilin



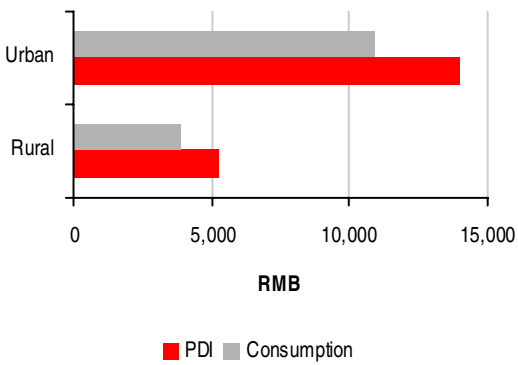
Source: CEIC

Urban and rural population 2009 - Jilin



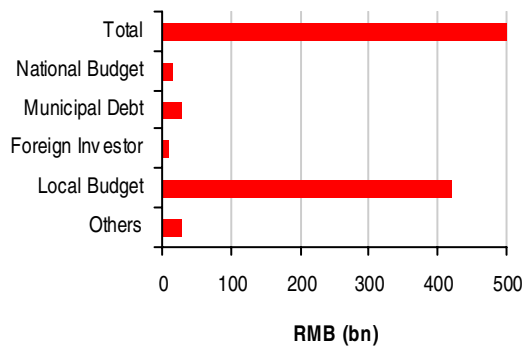
Source: CEIC

Personal disposable income and consumption 2009 - Jilin



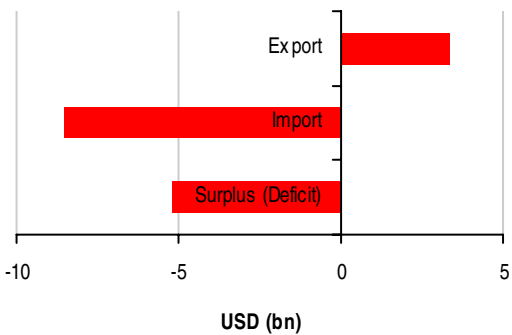
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Jilin



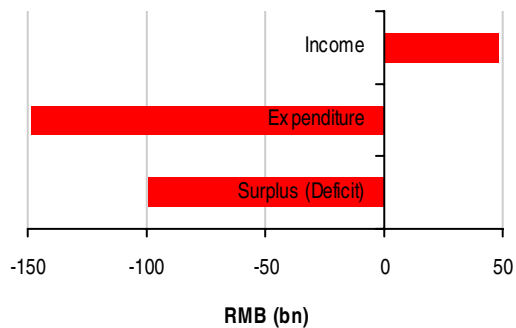
Source: National Bureau of Statistics of China

Foreign trade 2009 - Jilin



Source: CEIC

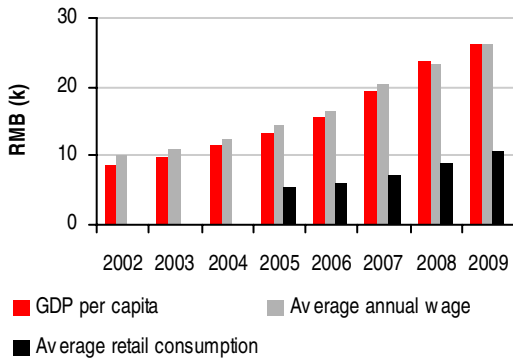
Government income and expenditure 2009 - Jilin



Source: CEIC

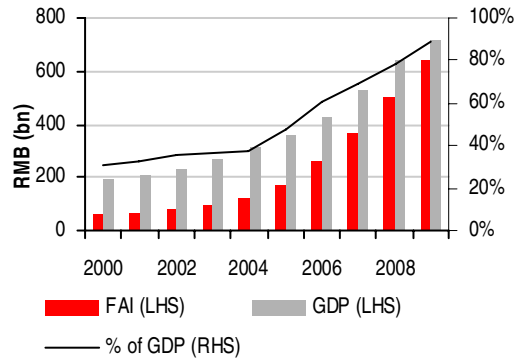
Key growth figures

Per capita income and consumption - Jilin



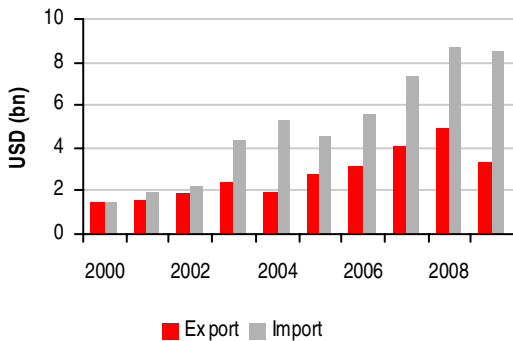
Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Jilin



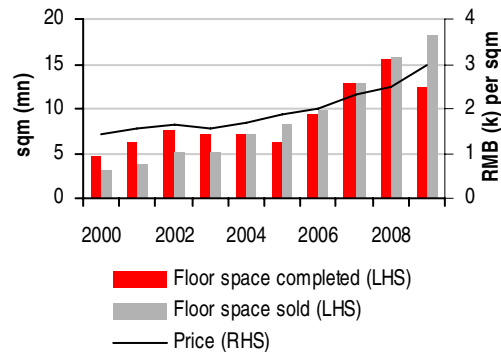
Source: CEIC, HSBC

Exports/imports - Jilin



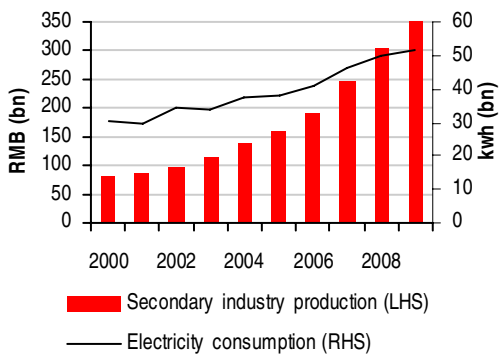
Source: CEIC

Commodity building volume and price - Jilin



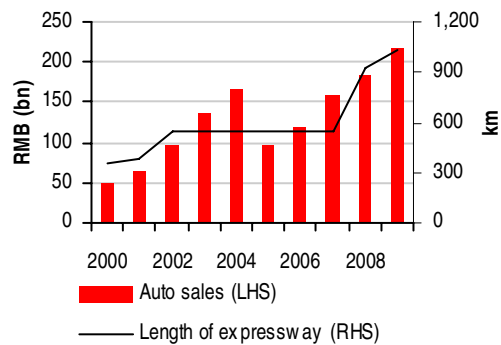
Source: CEIC

Secondary industry production and electricity usage - Jilin



Source: CEIC

Auto sales and expressway growth - Jilin



Source: CEIC

Liaoning (辽宁)

Size

Liaoning is a northeast province with a population the size of Colombia and the land area of Nepal.

Its GDP and per capita GDP are similar to Portugal and Colombia, respectively.

Strengths

Economic centre for northeast China

Connecting northeast China to the Pacific Ocean, Liaoning is ideally positioned as a transportation hub, boosting its economic status. Dalian port, a crucial link to China's major trading partners, Korea and Japan, is the second largest in northern China and the fifth largest in the country in terms of freight movements.

Liaoning's RMB1.5trn GDP is the 7th largest in China. Its foreign trade value is three times bigger than its neighbouring provinces, Heilongjiang and Jilin, combined and FDI (USD15.4bn, third in China in 2009) is six times larger. This is despite the fact that it only has two-thirds of the population and a quarter of the land area of its two neighbours combined. The PBOC has its northeast headquarters in Shenyang (沈阳), Liaoning's capital.

Heavy industry base with rich reserves

Similar to its northeast peers, Liaoning used to be primarily a heavy industry base focusing on iron and steel industry. Its iron ore reserves still account for 24% of China's total, the largest in the country. Large iron and steel companies in Liaoning are among the largest companies in the country. Anshan Iron And Steel Group

Corporation (鞍山钢铁集团), Beitai Iron & Steel Group Co., Ltd (北台钢铁集团) and Benxi Iron & Steel (Group) Co., Ltd (本溪钢铁集团) are leading examples.

The province also has a large amount of crude oil reserves, approximately 7.9% of the national total. The Dalian Commodity Exchange (DCE) has been established in Liaoning, reflecting its leading position in the northeast. The DCE leads in a range of futures products, including corn, No. 1 soybeans (non-GMO), No. 2 soybeans (GMO), soybean meal, soybean oil, RBD palm olein, linear low density polyethylene (LLDPE) and polyvinyl chloride (PVC).

Liaoning has expanded its major industries into equipment manufacturing, petrochemicals and food processing, with many locally established companies such as Shenyang Brilliance Jinbei Automobile (华晨汽车集团), Dalian DHI.DCW Group (大连重工·起重集团) and Yuanda Enterprise Group (沈阳远大企业), growing into China's Top 500 company list.

Dalian: model for a new Liaoning

In many ways, the city of Dalian is an outlier. Unlike other cities in the largely industrial region, Dalian enjoys a liveable environment with a service-oriented economy. Its key industries include software (based in the Dalian Software Park or 大连软件园), financial services in its foreign exchanges and international trade settlement and the well-known Dalian Commodity Exchange, which provide good examples of the likely direction of the province's future development.

General information

	2009	Ranking in China	Comparable country	Rank as a country
Population (mm)	43	14	Colombia	29
Area (sq km)	148,064	21	Nepal	89
Density (per sq km)	292	15	Burundi	23
GDP (RMBbn)	1,507	7	Portugal	38
GDP per capita (RMB)	35,239	9	Colombia	81
GDP density (RMB per sqm)	10	9	United States	42

Source: CEIC, IMF, CIA, HSBC

Challenges

Energy efficiency

Liaoning is the second largest crude oil and third largest fossil energy consumer. Heavy industry dependence and lack of energy efficiency suggest its economy is still at the relatively low end of the value chain.

Liaoning spent RMB1.2trn on FAI in 2009 relative to its RMB1.5trn GDP. Some 4,100km of railway lines and 1,276km of expressways are under construction, which will underpin growth – but FAI can't be the main economic driver forever.

5 year outlook

Supporting private enterprises

Liaoning aims to focus on nurturing private enterprises in the next five years by helping small and medium enterprises raise funds from equity and debt markets. It plans to provide bank subsidies to towns and villages on top of reduced business income tax. The province aims to achieve RMB4.28trn GDP by the end of 2015, a 19% CAGR in nominal GDP over the six-year period from 2009 to 2015. Around 70% (RMB3trn) of this is expected to come from the private sector, an increase from the current 60%. Tax revenue is also expected to hit RMB400bn in 2015, a goal that may only be achieved if the current property prices hold up.



Major cities (by GDP)

Shenyang (沈阳, capital), Dalian (大连), Anshan (鞍山), Yingkou (营口), Jinzhou (锦州), Panjin (盘锦), Fushun (抚顺), Benxi (本溪), Liaoyang (辽阳), Dandong (丹东), Tieling (铁岭), Huludao (葫芦岛), Chaoyang (朝阳), Fuxin (阜新)

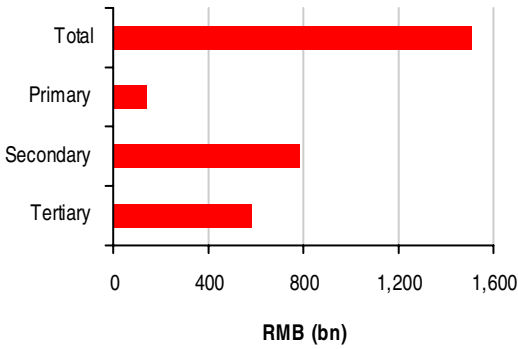
Top officials

Party Secretary: Wang Min (王珉)

Governor: Chen Zhenggao (陈政高)

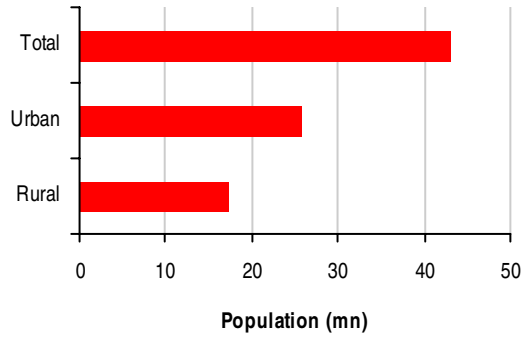
Key financial and demographic data

Annual gross domestic production 2009 - Liaoning



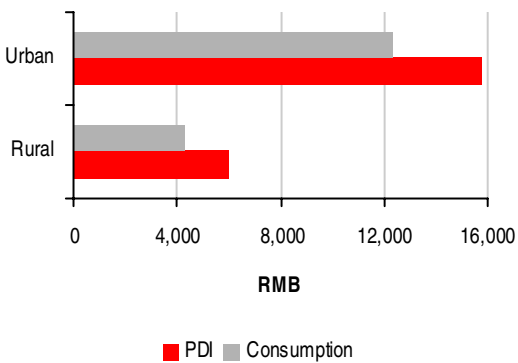
Source: CEIC

Urban and rural population 2009 - Liaoning



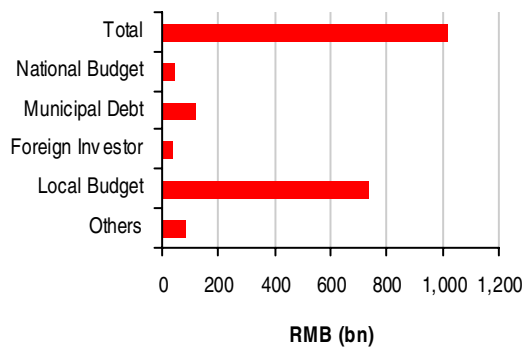
Source: CEIC

Personal disposable income and consumption 2009 - Liaoning



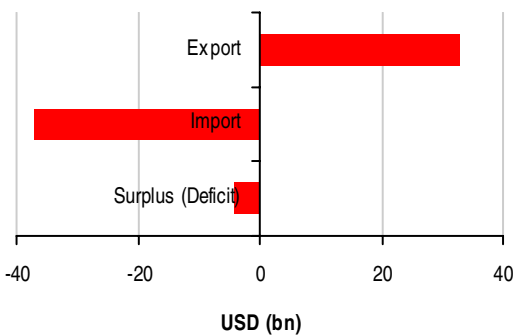
Source: National Bureau of Statistics of China

Annual fixed asset investment 2008 - Liaoning



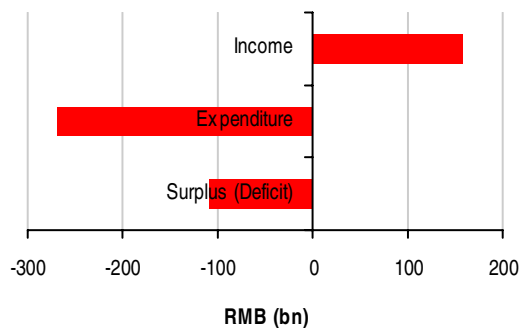
Source: National Bureau of Statistics of China

Foreign trade 2009 - Liaoning



Source: CEIC

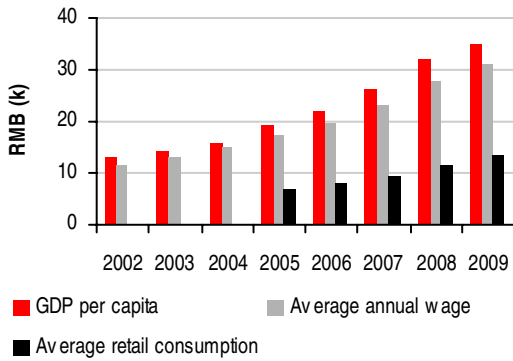
Government income and expenditure 2009 - Liaoning



Source: CEIC

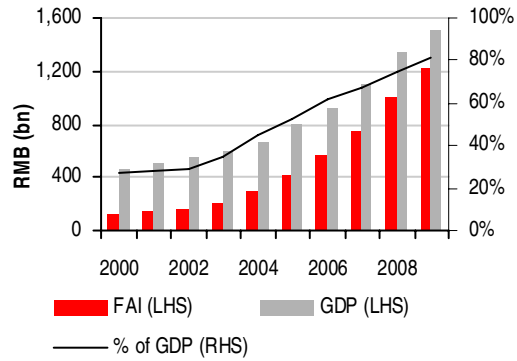
Key growth figures

Per capita income and consumption - Liaoning



Note: average retail consumption is not available until 2005
Source: CEIC

Annual fixed asset investment - Liaoning



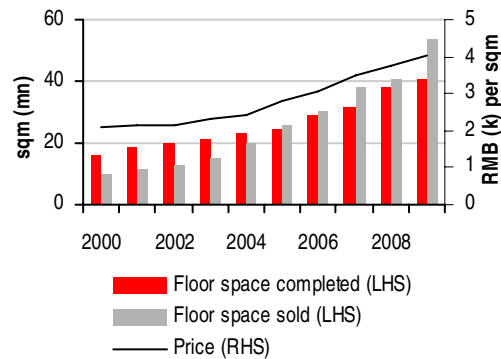
Source: CEIC, HSBC

Exports/imports - Liaoning



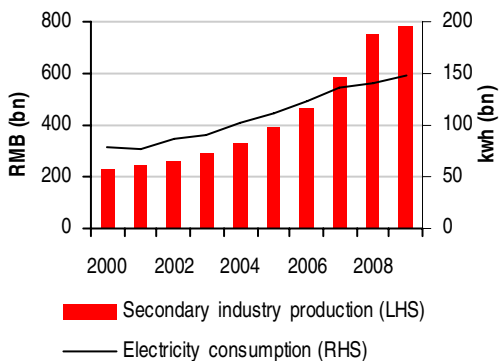
Source: CEIC

Commodity building volume and price - Liaoning



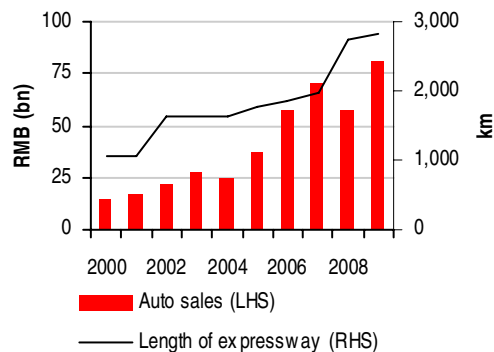
Source: CEIC

Secondary industry production and electricity usage - Liaoning



Source: CEIC

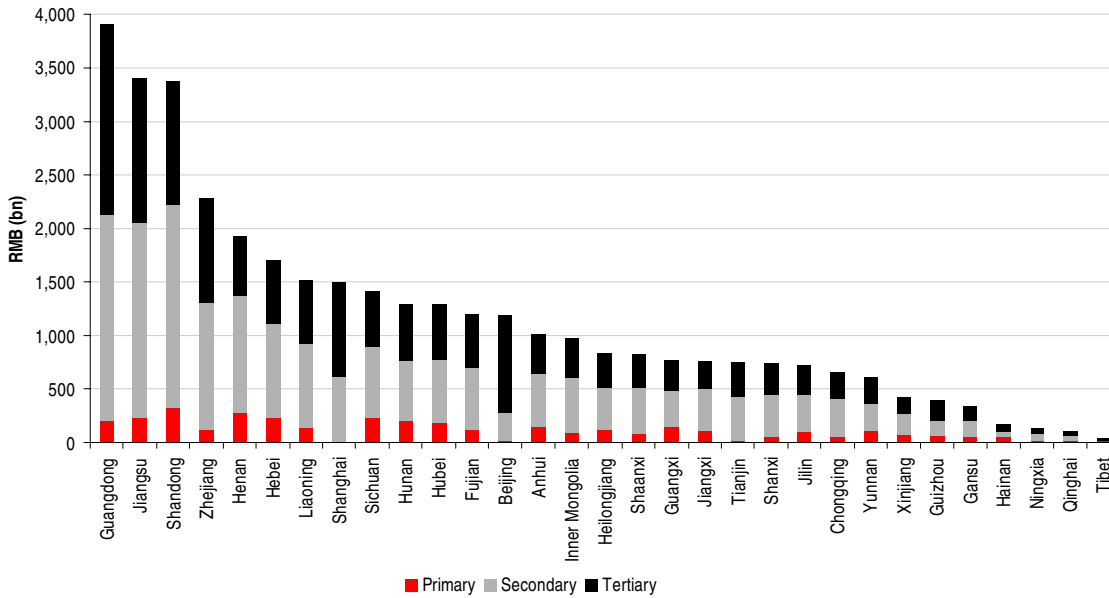
Auto sales and expressway growth - Liaoning



Source: CEIC

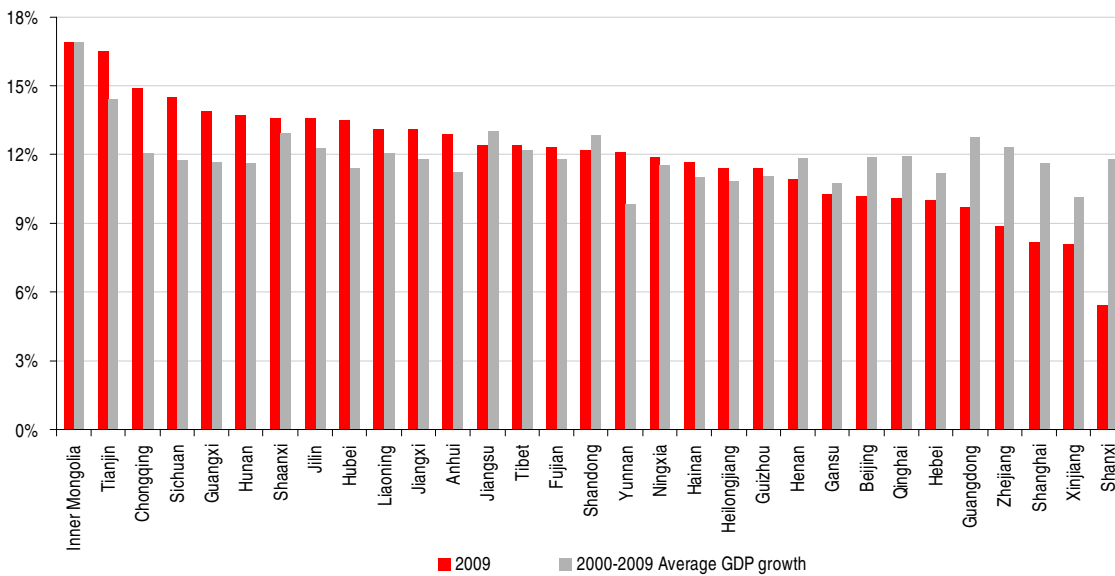
Province Comparison

Provincial GDP and sector breakdown (2009)



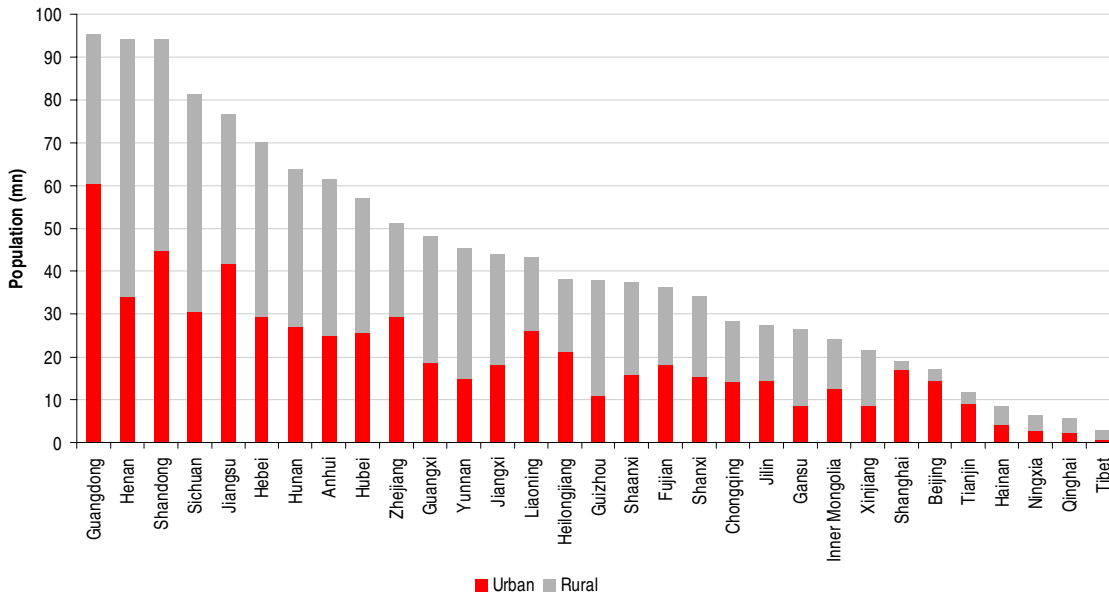
Source: CEIC

GDP growth momentum across provinces: current vs. last decade average



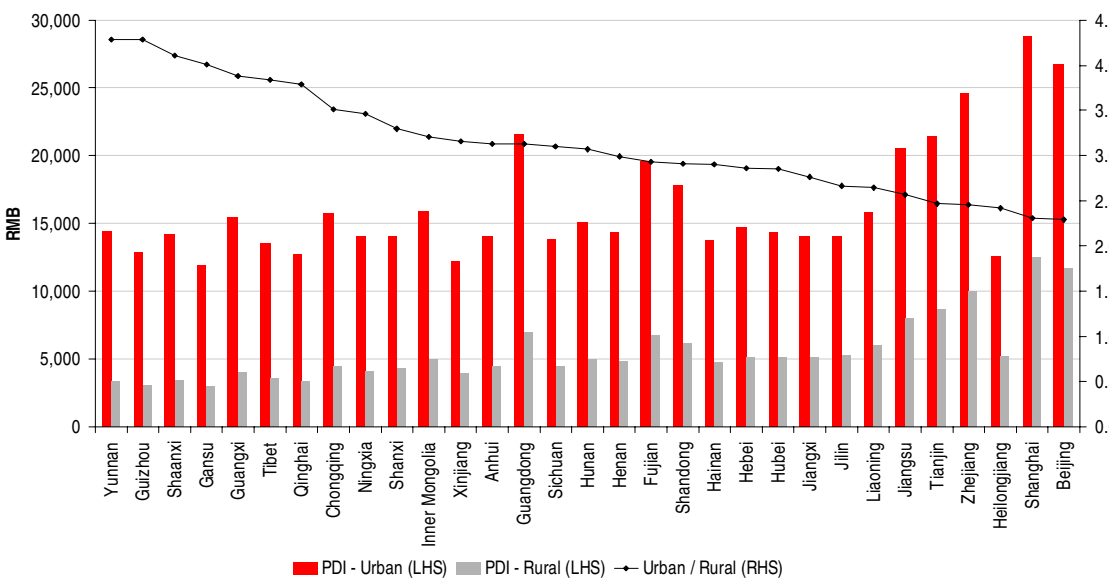
Source: CEIC, HSBC

Population breakdown by province: urban vs. rural (2008)



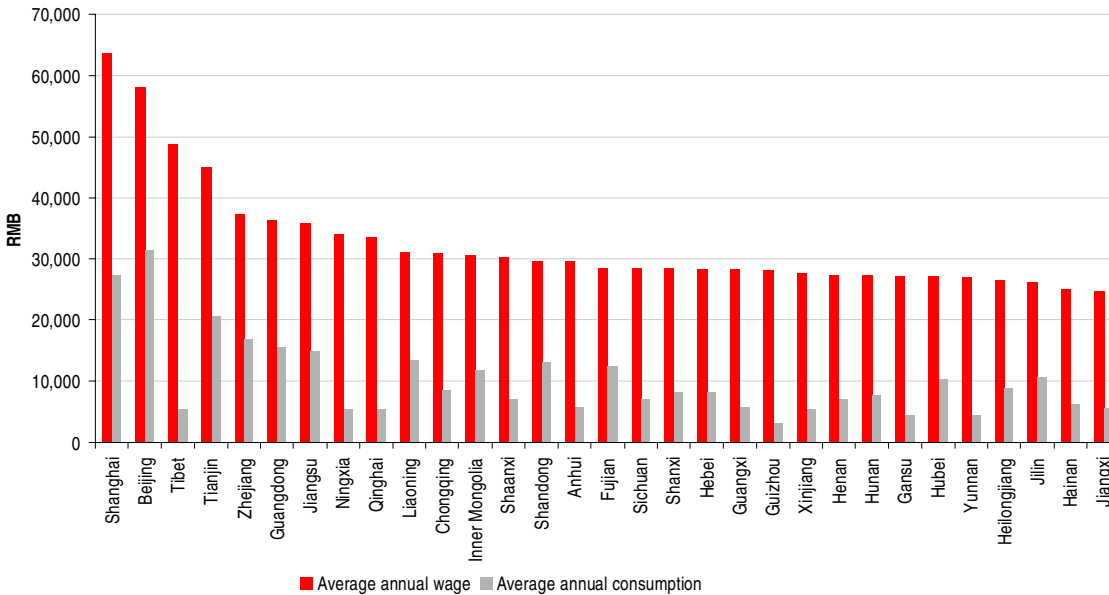
Source: CEIC

Personal disposable income across provinces – urban vs. rural (2009)



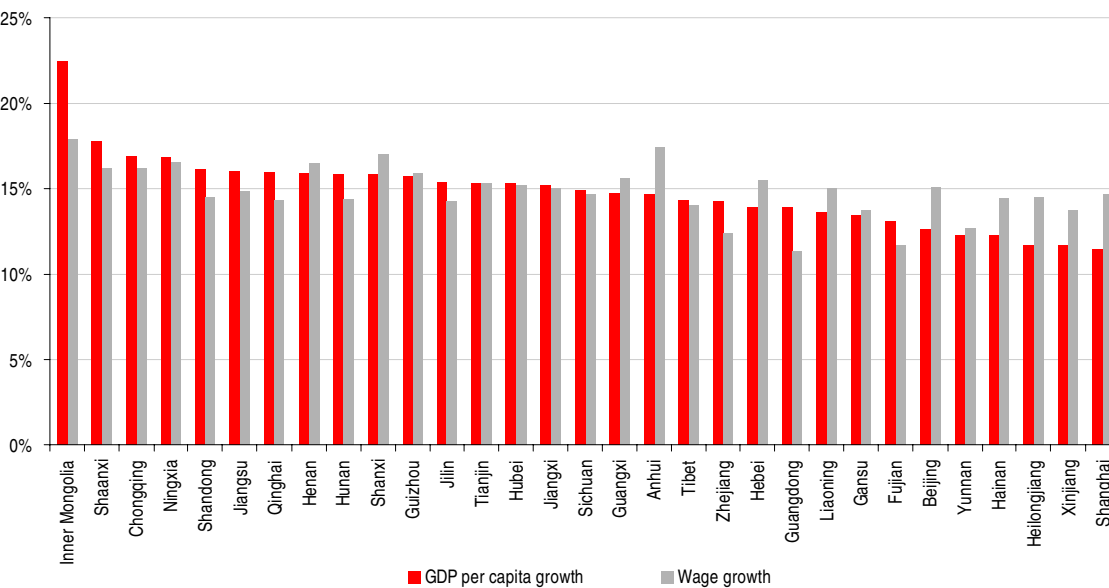
Source: CEIC, HSBC

Wages and consumption by province (2009)



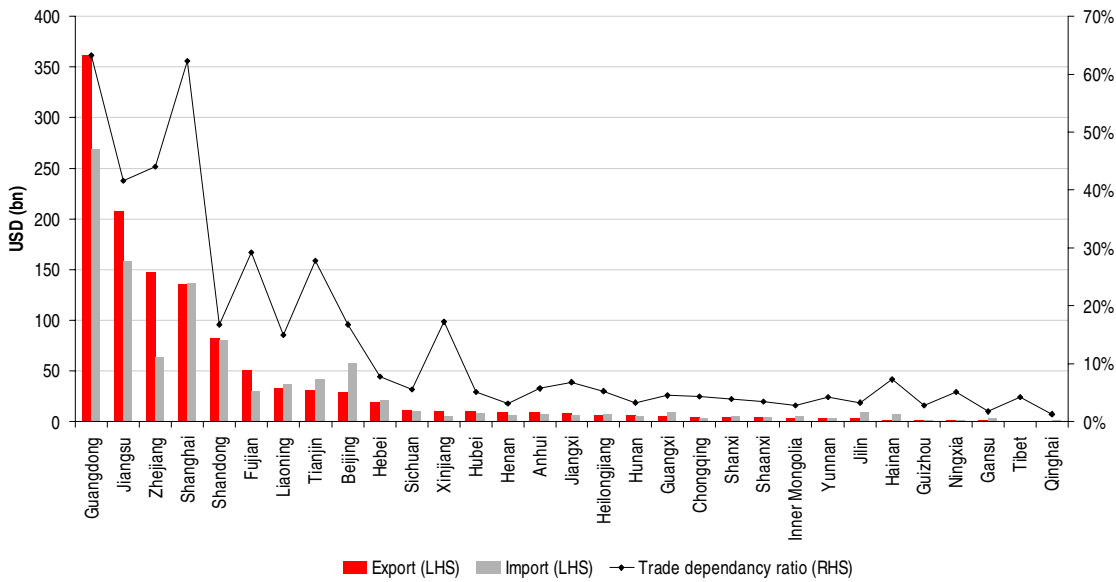
Source: CEIC

GDP per capita vs. wage growth: compound annual growth rate, 2000 to 2009



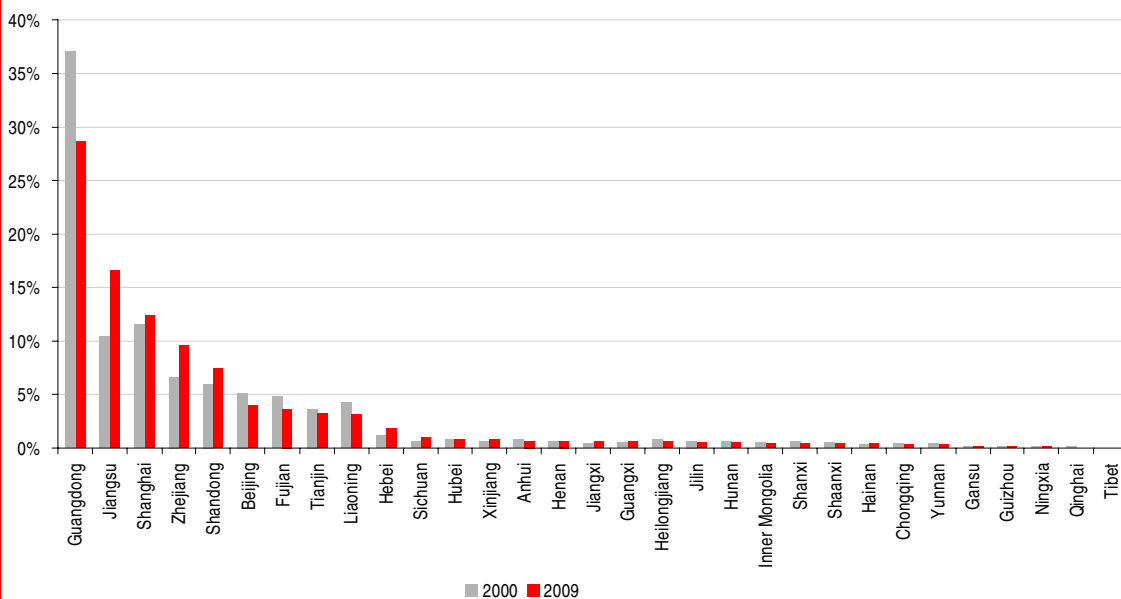
Source: CEIC, HSBC

Heavy concentration on imports and exports (2009): It's all about the big 5



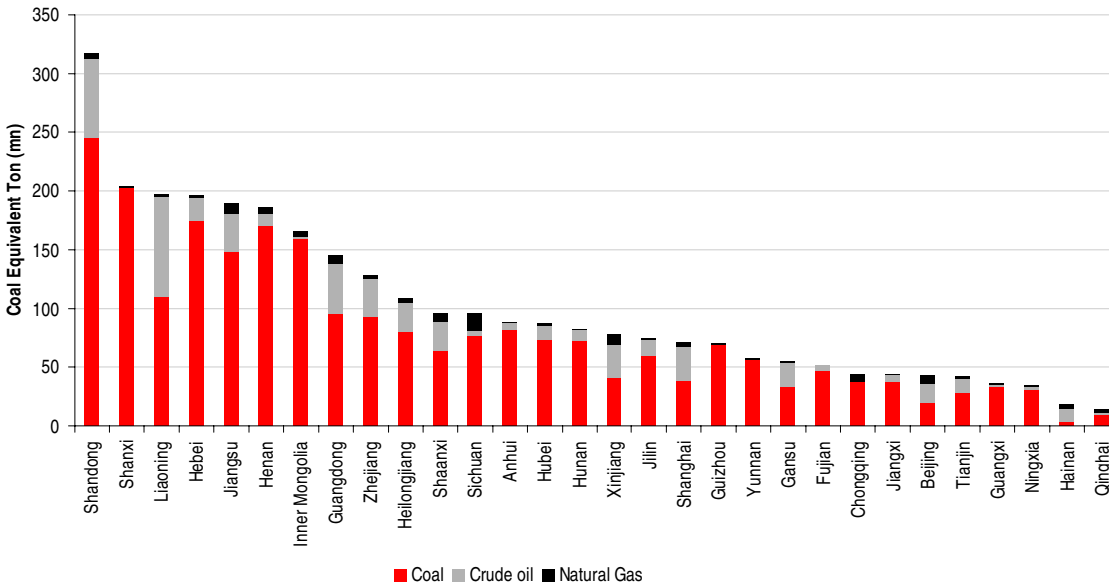
Note: Trade dependency ratio is defined as export value over GDP
Source: CEIC

Shifting market share in foreign trade (2000 vs. 2009): decline in top-ranked Guangdong was picked up by the next big 4



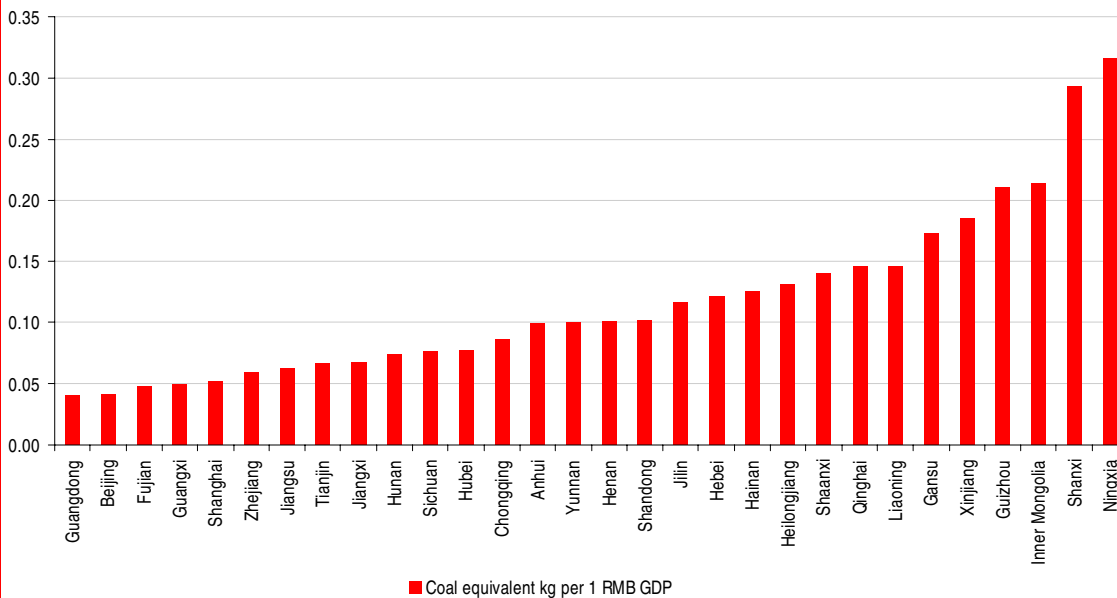
Source: CEIC, HSBC

Provinces with concentration of heavy industries led fossil fuel consumption (2009)



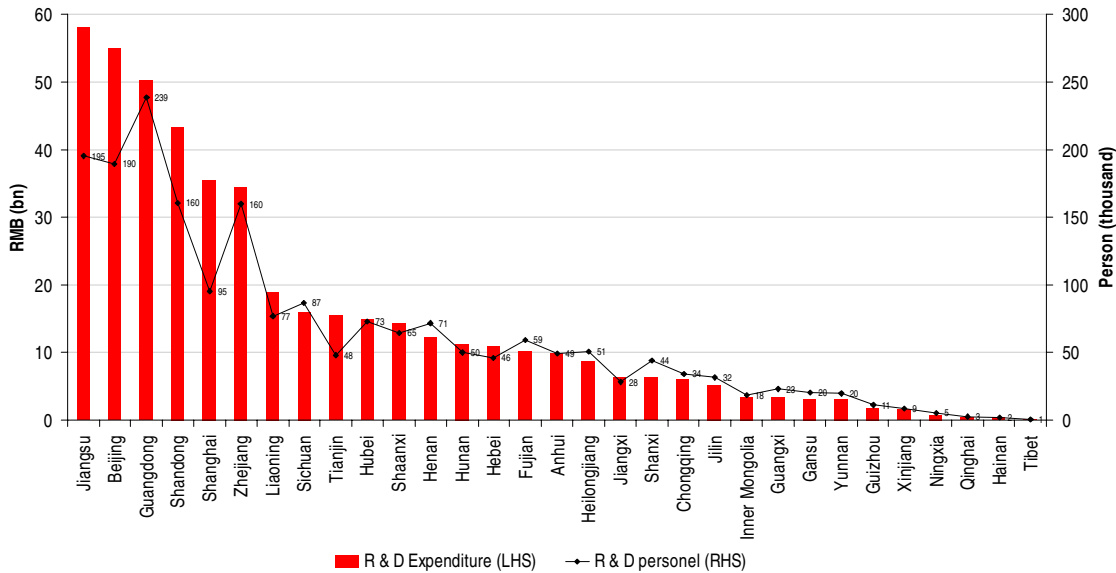
Source: HSBC, CEIC

Less-developed provinces lag behind in fossil energy efficiency (2009)



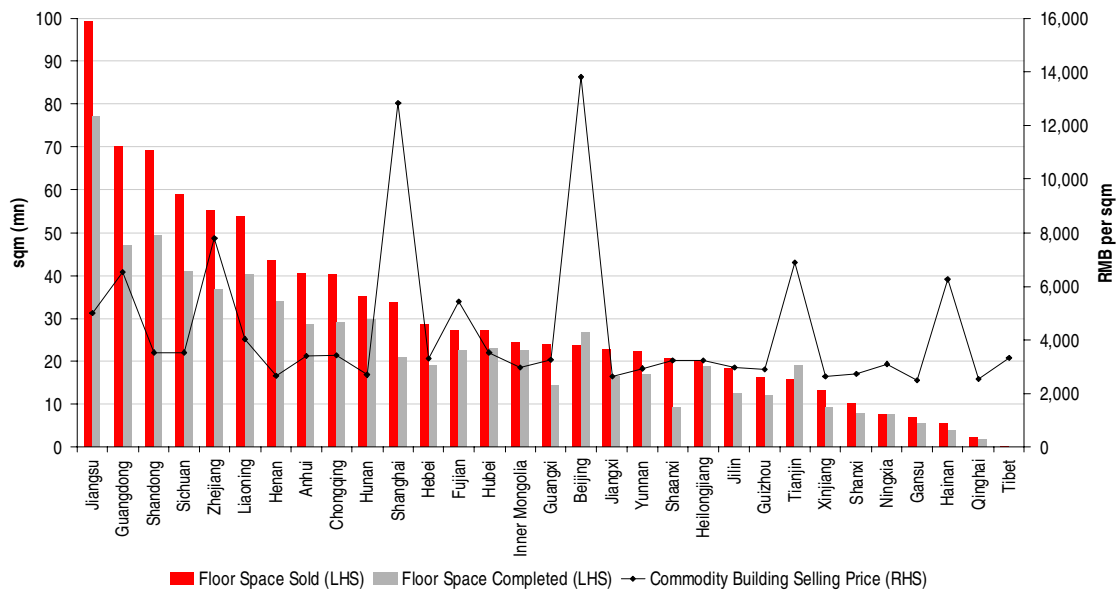
Source: HSBC, CEIC

High R&D spending has a positive correlation with high energy efficiency across provinces (2009)



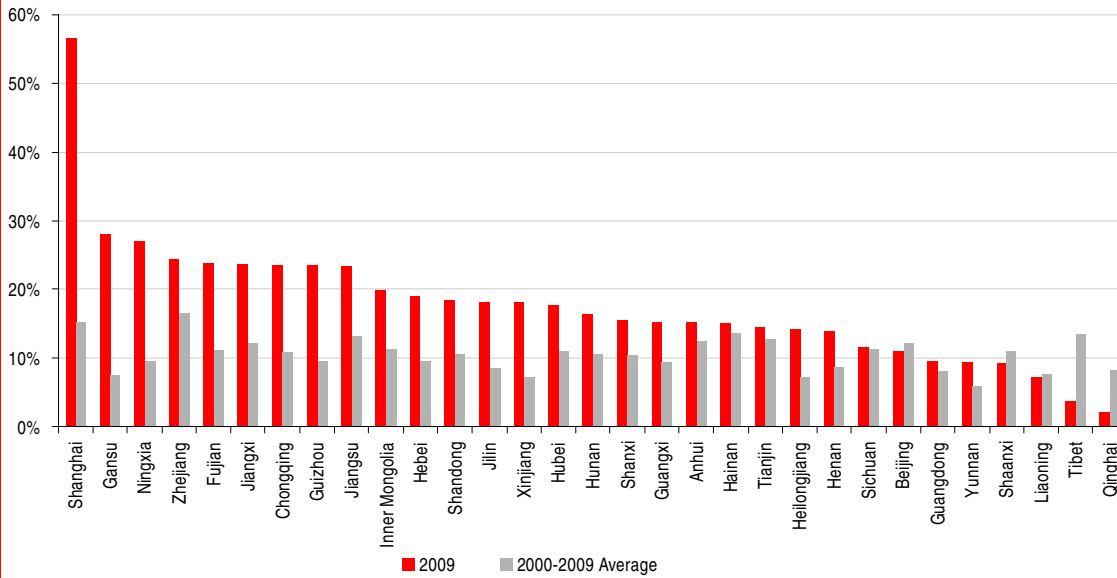
Source: CEIC

Property prices show steep rises in a few rich cities, while average prices elsewhere are in a narrow range (2009)



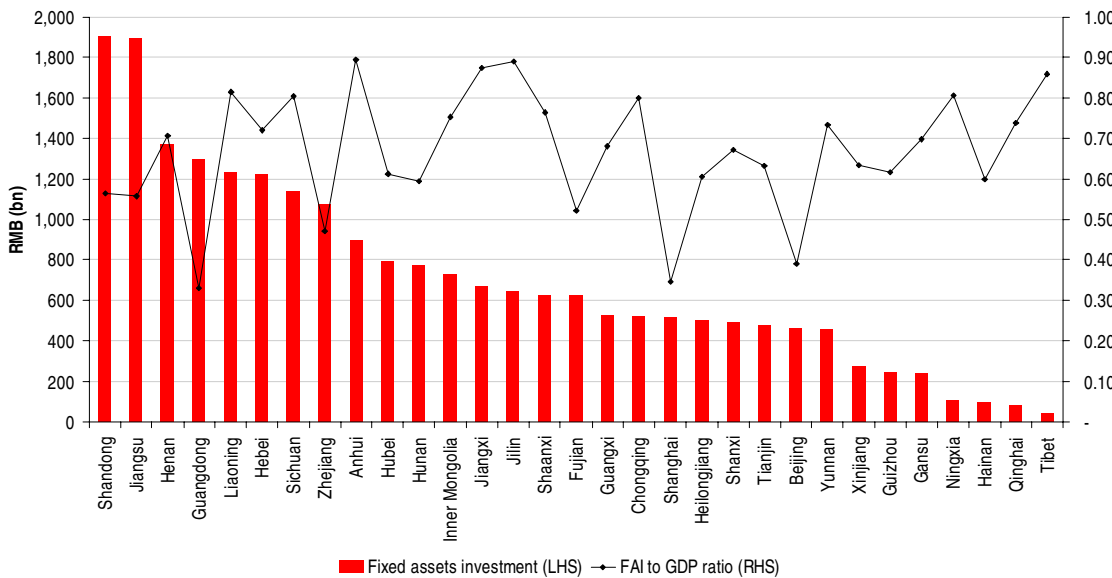
Source: CEIC

Property prices surge post government stimulus: growth in property prices in 2009 vs. last decade average



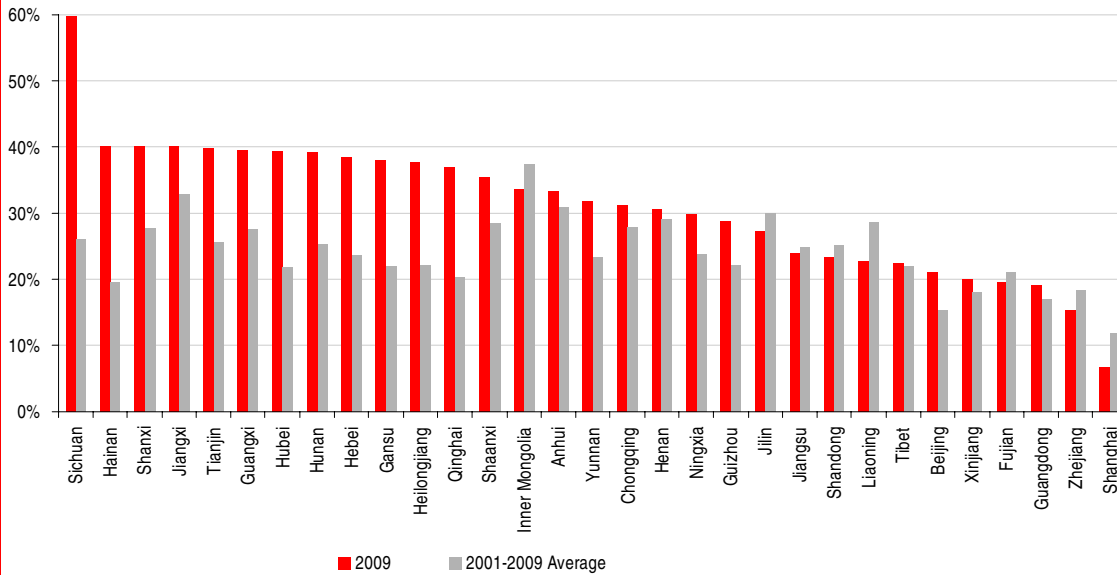
Source: CEIC, HSBC

Heavy FAI drives growth in all provinces in 2009



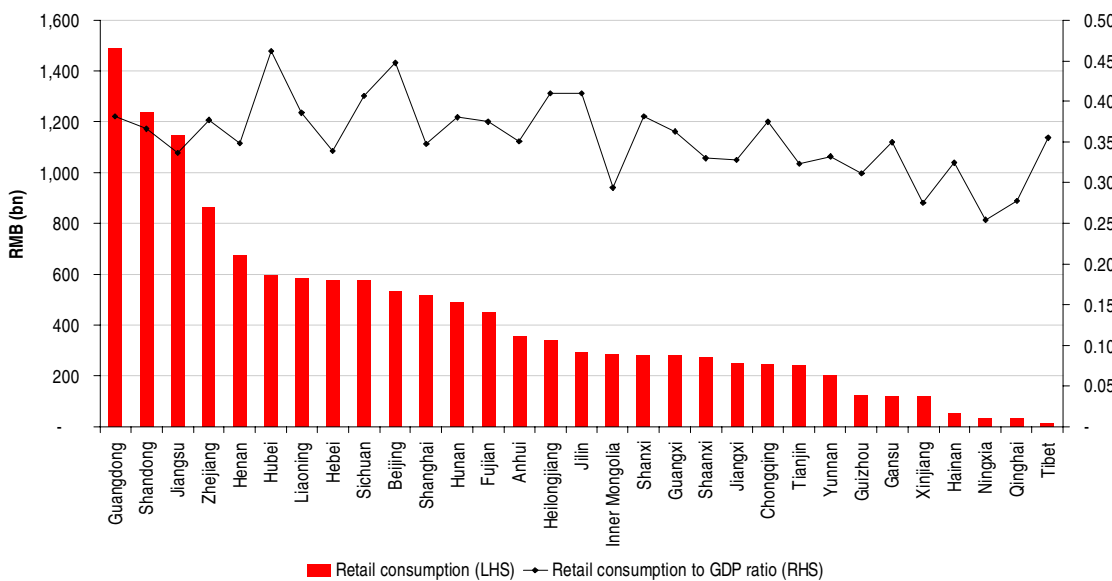
Source: CEIC, HSBC

FAI growth in 2009, led by less-developed provinces, is way above recent decade-average rates across provinces



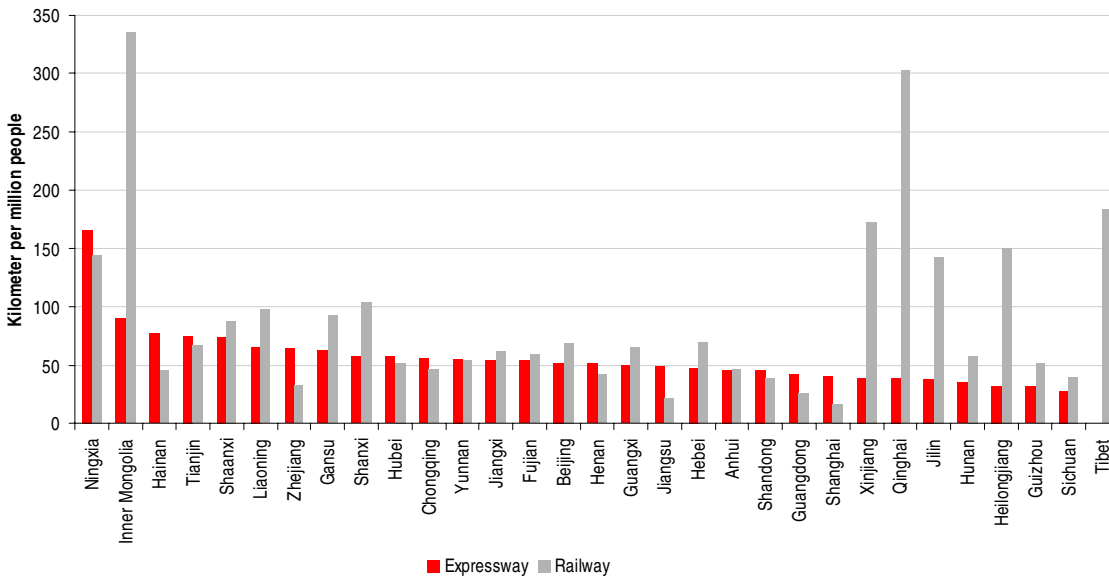
Source: CEIC, HSBC

Retail consumption remains low and hovers around a narrow range of 35% of GDP across provinces (2009)



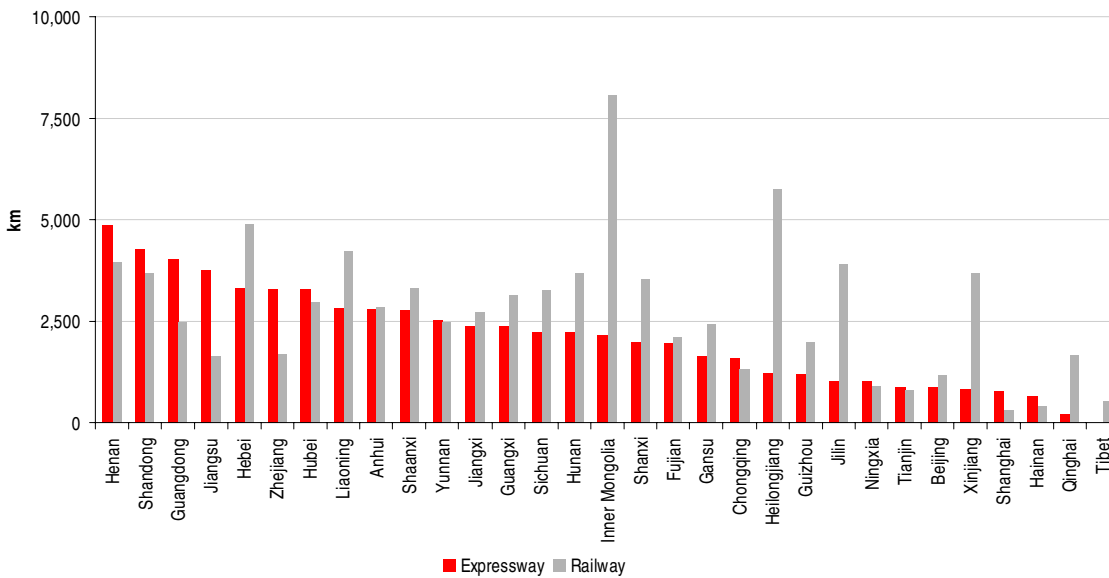
Source: CEIC, HSBC

Per capita expressway and railway length across provinces (2009)



Source: CEIC, HSBC

Total expressway and railway across provinces (2009)



Source: CEIC

Major Cities

Summary

- ▶ The 21 major cities include 4 municipalities, 15 sub-provincial cities and 2 prefectural-level cities with large economies
- ▶ These cities will shape China's future given their economic, political (high administrative ranking) and strategic importance



Selected group

4 Municipalities:	Beijing, Shanghai, Tianjin, Chongqing
15 Sub-provincial cities:	Changchun, Chengdu, Dalian, Guangzhou, Hangzhou, Harbin, Jinan, Nanjing, Ningbo, Qingdao, Shenyang, Shenzhen, Wuhan, Xiamen, Xi'an
2 other cities*:	Suzhou, Wuxi

* Suzhou and Wuxi are considered important enough to be included in our comparison as they are both within top 10 GDP size and have populations over 4 million
 Source: Central Institutional Organization Commission, HSBC

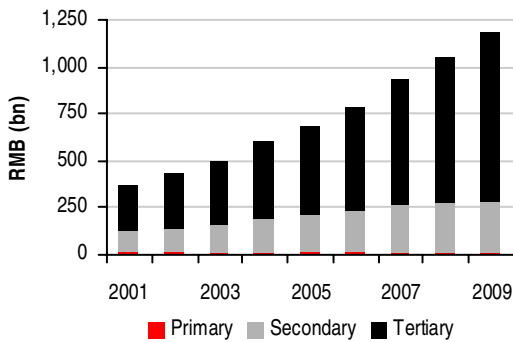
Beijing (北京)

Province	Beijing	Population (2008 m)	17.0	Land area (sq km)	16,411	GDP (2009 RMBbn)	1,187
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- ▶ As China's capital, Beijing is home to 98 of China's Top 500 companies (mostly SOEs). It is a "must" for major corporations and banks, thanks to the heavy concentration of government authorities and regulatory bodies.
- ▶ What is less well-known is that Beijing is the shopping centre of China, with the highest average annual retail sales attributable to its high wage levels as well as spending by visitors.
- ▶ Beijing is also China's top high-tech centre. Its Zhongguancun area, surrounded by many of China's best universities and research institutions, is considered to be China's Silicon Valley. Zhongguancun generated 23 high-tech IPOs in 2009 vs 1 for Silicon Valley and has had another 35 y-t-d.
- ▶ Beijing has the second largest GDP at city level after Shanghai and the third highest urban property prices after Shenzhen and Shanghai.

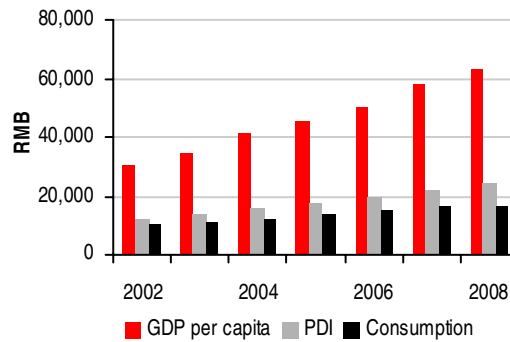
Selected key data

GDP and composition



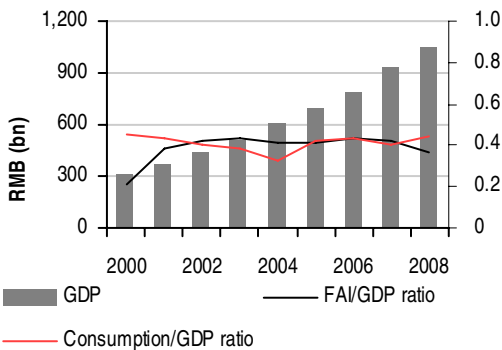
Source: CEIC

Per capita data



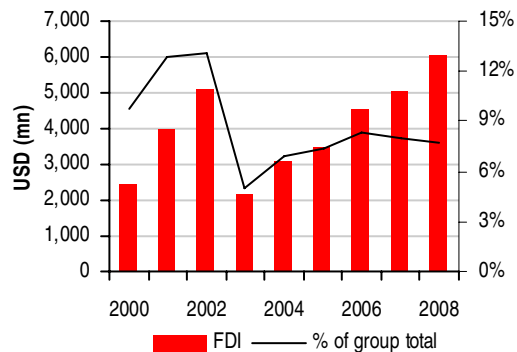
Source: CEIC

FAI and Consumption vs. GDP



Source: CEIC, HSBC

FDI



Source: CEIC, HSBC

Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Sinopec Group	中国石油化工集团公司	Energy	1,392	A share: 600028	#1 in China 500
State Grid Corporation of China	国家电网公司	Utilities	1,260	A share: 600505, 600312, 600406, 000400	#2 in China 500
China National Petroleum Corporation	中国石油天然气集团公司	Energy	1,218	A share: 601857 H share: 857	#3 in China 500
China Mobile Limited	中国移动通信集团公司	Telecommunication services	490	H share: 941	#4 in China 500
Industrial and Commercial Bank of China Limited	中国工商银行股份有限公司	Financials	473	A share: 601398 H share: 1398	#5 in China 500
China Construction Bank	中国建设银行股份有限公司	Financials	399	A share: 601939 H share: 939	#6 in China 500
China Life Insurance (Group) Company	中国人寿保险(集团)公司	Financials	390	A share: 601628 H share: 2628	#7 in China 500
China Railway Construction Corporation Limited	中国铁建股份有限公司	Industrials	356	A share 601186 H share: 1186	#8 in China 500
China Railway Group Limited	中国中铁股份有限公司	Industrials	346	A share: 601390 H share: 1390	#9 in China 500
Agricultural Bank of China Limited	中国农业银行股份有限公司	Financials	338	A share: 601288 H share: 1288	#10 in China 500
Bank of China	中国银行股份有限公司	Financials	335	A share: 601988 H share: 3988	#11 in China 500
China State Construction Engineering Corporation Limited	中国建筑股份有限公司	Industrials	260	A share: 601668 H share: 688, 3311	#14 in China 500
Sinochem Group	中国中化集团公司	Industrials	243	A share: 600500 H share: 297, 817	#15 in China 500
China Telecom Corp. Ltd.	中国电信集团公司	Telecommunication services	243	H share: 728	#16 in China 500
China Communications Construction Group	中国交通建设集团有限公司	Industrials	229	H share: 1800	#18 in China 500
China National Offshore Oil Corp.	中国海洋石油总公司	Energy	210	A share: 601808, 600583 H share: 883, 3983, 2883	#19 in China 500
CITIC Group	中国中信集团公司	Financials	209	A share: 601998, 600030, 000839, 000099 H share: 998, 1205, 1135, 267, 241	#20 in China 500
China Ordnance Equipment Group Corporation	中国兵器装备集团公司	Industrials	196	A share: 600698, 600877, 600178, 600550, 200054 H share: 625, 2423, 8217, 2265	#22 in China 500
China National Cereals, Oils and Foodstuffs Corporation	中粮集团有限公司	Consumer staples	178	A share: 000031, 600737 H share: 506, 606, 2319, 930, 906	#24 in China 500
China Huaneng Group	中国华能集团公司	Utilities	178	A share: 600011, 600863, 000720 H share: 902	#25 in China 500
China Metallurgical Group Corporation	中国冶金科工集团有限公司	Materials	177	A share: 601618, 000815, 000751 H share: 1618	#27 in China 500
Aviation Industry Corporation of China	中国航空工业集团公司	Industrials	172	A share: 600316, 600038, 600372, 600391, 600760, 600765, 600893, 600523, 000738, 000768, 002013, 002190, 002179, 002163, 000043, 000026, 000050, 002419 H share: 2357, 161, 232	#29 in China 500
China Minmetals Corporation	中国五矿集团公司	Materials	170	A share: 600058, 000831, 600390, 600961 H share: 1208, 230, 2626	#30 in China 500
China North Industries Group Corporation	中国兵器工业集团公司	Industrials	165	A share: 000059, 000065, 002246, 000519, 600148, 600184, 600435, 600480, 600495, 600967 H share: 8298	#31 in China 500

Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Leading companies (with 2009 revenue above RMB10bn) – cont'd

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Sinosteel Corporation	中国中钢集团公司	Materials	164	A share: 002057, 000928	#32 in China 500
Shenhua Group Corporation Limited	神华集团有限责任公司	Energy	161	A share: 601088 H share: 1088	#33 in China 500
The People's Insurance Company (Group) of China Limited	中国人民保险集团股份有限公司	Financials	154	H share: 2328	#35 in China 500
China Post Group Corporation	中国邮政集团公司	Industrials	154	A share: 600476	#36 in China 500
China Datang Corporation	中国大唐集团公司	Utilities	147	A share: 601991, 600236, 600744	#39 in China 500
China Resources	华润(集团)有限公司	Consumer Discretionary	146	A share: 000002, 200002, 000810, 000999, 000423, 600062, 600055 H share: 291, 836, 1109, 1313, 1193, 597	#41 in China 500
Aluminium Corporation of China	中国铝业公司	Materials	136	A share: 601600, 000878, 000612 H share: 2600	#43 in China 500
Shougang Group	首钢总公司	Materials	130	A share: 000959	#46 in China 500
China Guodian Corporation	中国国电集团公司	Utilities	122	A share: 600795, 000635, 000780, 000966, 300105 H share: 916	#48 in China 500
China Shipbuilding Industry Corporation	中国船舶重工集团公司	Industrials	121	A share: 601989, 600482	#49 in China 500
Beijing Automotive Industry Holding Co.	北京汽车工业控股有限责任公司	Consumer discretionary	116	A share: 600166	#51 in China 500
China National Chemical Corporation	中国化工集团公司	Materials	108	A share: 600299, 600378, 600179, 600469, 600230, 600882, 600579, 000698, 000953, 000553	#54 in China 500
GOME Electrical Appliances Holding Limited	国美电器控股有限公司	Consumer discretionary	107	H share: 493	#55 in China 500
Legend Holdings Ltd.	联想控股有限公司	Information Technology	106	H share: 992, 861	#56 in China 500, # 3 in Private 500
China Huadian Corporation	中国华电集团公司	Utilities	105	A share: 600027, 600726, 600268, 600396, 002039 H share: 1071	#57 in China 500
China Railway Materials Commercial Corporation	中国铁路物资总公司	Materials	105		#58 in China 500
China National Machinery Industry Corporation	中国机械工业集团有限公司	Industrials	103	A share: 600710, 600099, 600335, 002046, 002051 H share: 38	#61 in China 500
China Power Investment Corporation	中国电力投资集团公司	Utilities	101	A share: 600292, 600021, 000875, 000767, 002128 H share: 2380	#63 in China 500
China National Aviation Fuel Group Corporation	中国航空油料集团公司	Energy	94	SGX: CAO	#64 in China 500
China Electronics Corporation	中国电子信息产业集团公司	Information Technology	86	A share: 600775, 600536, 600764, 600171, 000021, 000066, 000032, 000727, 000748 H share: 74, 553, 354, 85, 903, 2878	#68 in China 500
China National Building Material Group Corporation	中国建筑材料集团有限公司	Materials	82	A share: 600176, 600876, 600552, 000786, 002066 H share: 3323, 1108	#71 in China 500
Sinohydro Corporation	中国水利水电建设集团公司	Utilities	76		#78 in China 500
Sinotrans & CSC	中国外运长航集团有限公司	Industrials	74	A share: 600270, 600087, 000520 H share: 598, 368	#81 in China 500
New China Life Insurance Co., Ltd	新华人寿保险股份有限公司	Financials	74		#82 in China 500
China Aerospace Science & Industry Corporation	中国航天科工集团公司	Industrials	72	A share: 600271, 600501, 600677, 600855, 000901, 002025	#84 in China 500
China National Coal Group Corp.	中国中煤能源集团有限公司	Energy	70	A share: 601898 H share: 1898	#87 in China 500

Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Leading companies (with 2009 revenue above RMB10bn) – cont'd

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
China General Technology (Group) Holding, Ltd.	中国通用技术(集团)控股 有限责任公司	Industrials	69	A share: 600056, 600253	#88 in China 500
China National Pharmaceutical Group Corporation	中国医药集团总公司	Health care	64	A share: 600511, 600161, 600420, 000028 H share: 1099	#90 in China 500
Tai Kang Life Insurance	泰康人寿保险股份有限公司	Financials	58		#98 in China 500
Beijing Railway Administration Bureau	北京铁路局	Industrials	57		#100 in China 500
Xinxing Pipes Group	新兴铸管集团有限公司	Industrials	54	A share: 000778, 601718	#110 in China 500
China National Agricultural Means of Production Group Corporation	中国农业生产资料集团公司	Industrials	53		#111 in China 500
China National Aviation Holding Company	中国航空集团公司	Industrials	52	A share: 601111 H share: 753	#116 in China 500
Founder Group	北大方正集团有限公司	Information Technology	51	A share: 600601 H share: 418, 618	#121 in China 500
CSR Corporation Limited	中国南车集团公司	Industrials	48	A share: 601766 H share: 1766	#131 in China 500
State Development & Investment Corporation	国家开发投资公司	Financials	47	A share: 600886, 600962, 601918, 600061, 000151	#133 in China 500
China Minsheng Banking Corp., Ltd	中国民生银行股份有限公司	Financials	42	A share: 600016	#146 in China 500
China CNR Corporation Limited	中国北方机车车辆工业集团 公司	Industrials	42	A share: 601299	#149 in China 500
Jianlong Group	北京建龙重工集团有限公司	Industrials	38		#169 in China 500
Beijing Urban Construction Group	北京城建集团有限责任公司	Industrials	36	A share: 600266	#176 in China 500
China National Materials Group Corporation Ltd.	中国中材集团有限公司	Materials	35	A share: 600970, 600449, 000877, 002080 H share: 1893	#182 in China 500
China National Nuclear Corporation	中国核工业集团公司	Energy	35	A share: 000777 H share: 2302	#184 in China 500
China National Gold Group Corporation	中国黄金集团公司	Materials	35	A share: 600489 TSX: CGG	#187 in China 500
China Chengtong Group	中国诚通控股集团有限公司	Industrials	34	A share: 600787, 600433, 200986 H share: 217	#189 in China 500
Wumart Group	物美控股集团有限公司	Consumer discretionary	33	H share: 8277	#193 in China 500 #17 in Private 500
Century Golden Resources Group	世纪金源投资集团有限公司	Financials	31		#203 in China 500
Beijing Construction Engineering Group Co., Ltd	北京建工集团有限责任公司	Industrials	30		#208 in China 500
Tsinghua Holdings Co., Ltd	清华控股有限公司	Information Technology	29	A share: 600100, 000990, 000938	#217 in China 500
China Nonferrous Metal Mining (Group) Co., Ltd.	中国有色矿业集团有限公司	Materials	27	A share: 000758, 000962 ASX: TZN, ORD	#224 in China 500
Beijing Enterprises Group Company Ltd	北京控股集团有限公司	Industrials	27	H share: 392	#231 in China 500
Beijing Pharmaceutical Group Co., Ltd	北京医药集团有限责任公司	Health care	27	A share: 600062, 600065	#232 in China 500
Sinogiant	新华联合冶金投资集团有限 公司	Materials	24		#255 in China 500
Beijing Tourism Group	北京首都旅游集团有限责任公司	Consumer discretionary	23	A share: 600258, 002186 US: HMIN	#258 in China 500
China National Arts & Crafts (Group) Corp.	中国工艺(集团)公司	Consumer discretionary	23		#263 in China 500
BBMG Corporation	北京金隅集团有限责任公司	Industrials	22	H share: 2009	#269 in China 500
Beijing Municipal Road and Bridge Construction Holding Group Co., Ltd	北京市政路桥建设控股(集 团)有限公司	Industrials	21		#291 in China 500

Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Leading companies (with 2009 revenue above RMB10bn) – cont'd

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
China National Salt Industry Corporation	中国盐业总公司	Consumer staples	20		#299 in China 500
Chinatex Corporation	中国中纺集团公司	Consumer discretionary	19		#306 in China 500
Beijing Jingcheng Machinery Electric Holding Co., Ltd	北京京城机电控股有限责任公司	Industrials	19	A share: 600860 H share: 187	#312 in China 500
China Coal Technology & Engineering Group Corp.	中国煤炭科工集团有限公司	Energy	18	A share: 600582	#334 in China 500
Hua Xia Bank	华夏银行股份有限公司	Financials	17	A share: 600015	#342 in China 500
China International Intellectual Corporation	中国国际技术智力合作公司	Industrials	17		#347 in China 500
Macro Link Group	新华联控股有限公司	Financials	17	A share: 600365, 000620 H share: 189, 7203, 472 LSX: CRHL	#351 in China 500, #57 in Private 500
Risun Coal Chemicals Group	旭阳煤化工集团有限公司	Energy	17		#356 in China 500
China High-Tech Group Corporation	中国恒天集团有限公司	Industrials	16	A share: 900953, 000666, 000687, 000902	#364 in China 500
Beijing Foreign Enterprise Service Group Co., Ltd	北京外企服务集团有限责任公司	Industrials	14		#398 in China 500
Beijing Capital Group Ltd.	北京首都创业集团有限公司	Financials	14	A share: 600008, 600857, 600733, 000608 H share: 2868	#405 in China 500
Zhong Chu Development Stock Co., Ltd	中储发展股份有限公司	Industrials	14	A share: 600787	#406 in China 500
Beijing Energy Investment Holding Co., Ltd	北京能源投资(集团)有限公司	Utilities	14	A share: 600578, 600791	#410 in China 500
Yanjing Beer Group	北京燕京啤酒集团公司	Consumer discretionary	13	A share: 000729	#420 in China 500
Sanhe Hopeful Grain & Oil Group Co., Ltd	三河汇福粮油集团有限公司	Consumer Staples	13		#426 in China 500
Beijing Uni-Construction Group Co., Ltd	北京住总集团有限责任公司	Industrials	13		#443 in China 500
Bank Of Beijing	北京银行	Financials	12	A share: 601169	#468 in China 500
China Power Engineering Consulting Group Co.	中国电力工程顾问集团公司	Industrials	12		#481 in China 500

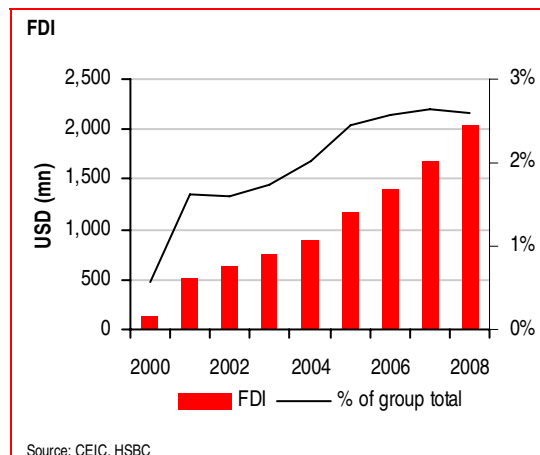
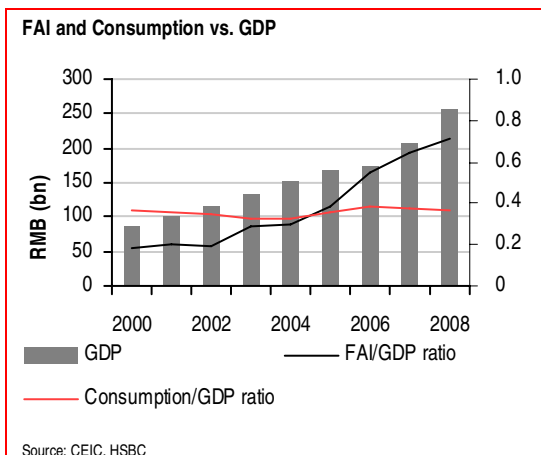
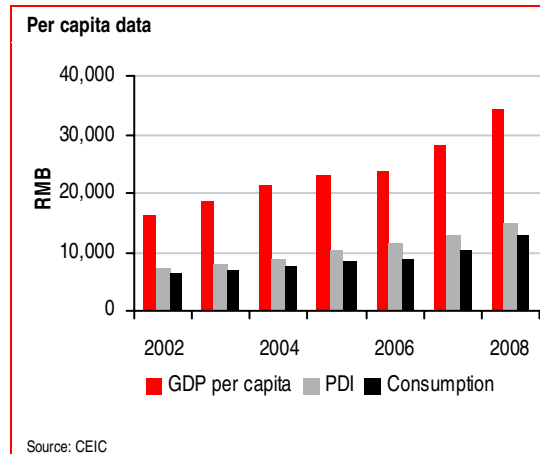
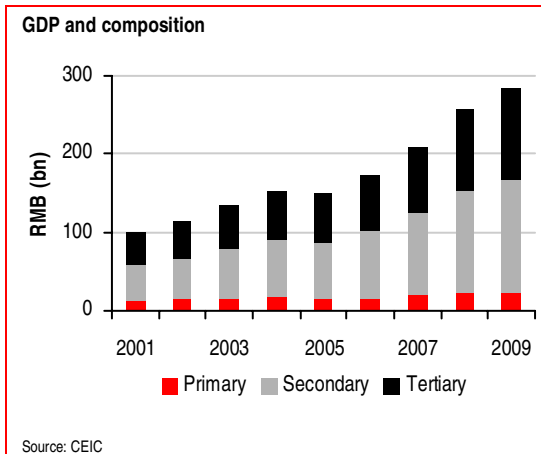
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Changchun (长春)

Province	Jilin	Population (2008 m)	7.5	Land area (sq km)	20,604	GDP (2009 RMBbn)	285
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- ▶ Located at the centre of the Northeast region, Changchun is an important transit point for major cities in the region and also a key link connecting rural areas to more advanced cities.
- ▶ Changchun is traditionally the region's heavy industry base, especially for automotive and locomotive manufacturing. Automobile production in 2009 was 1.23m, 9% of the nation's total.
- ▶ The city aims to enhance its strength in transportation manufacturing by increasing its annual production capacity of automobiles to 3m, high-speed trains to 1,000 and light rail trains to 1,000 before 2015.
- ▶ The city had the third fastest GDP growth in 2009 and has been growing faster than its average peers in our group of selected cities since 2000. However, its property prices still lag behind, with the average price in 2008 the second lowest among peers.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
China FAW Group Corporation	中国第一汽车集团公司	Industrials	207	A share: 600742 H share: 800, 927, 2232	#21 in China 500,
Tonghua Iron & Steel Group	通化钢铁集团股份有限公司	Materials	23		#262 in China 500, expected to be re-organized by Shougang Group
Jilin Yatai (Group) Co., Ltd	吉林亚泰(集团)股份有限公司	Industrials	16	A share: 600881	#373 in China 500,
Jilin Grain Group Co. Ltd	吉林粮食集团有限公司	Consumer staples	13		#437 in China 500,
Xiuzheng Pharmaceutical Group	修正药业集团	Health care	12		#98 in Private 500

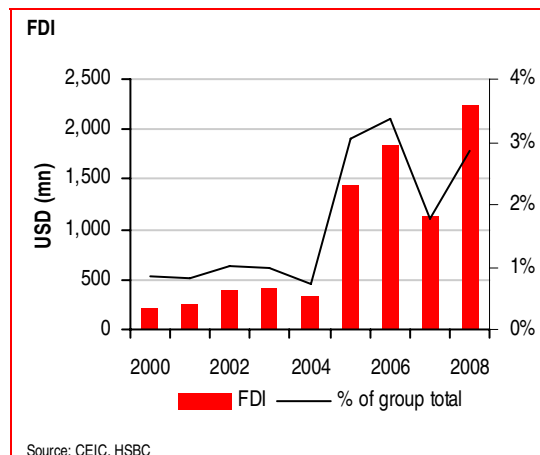
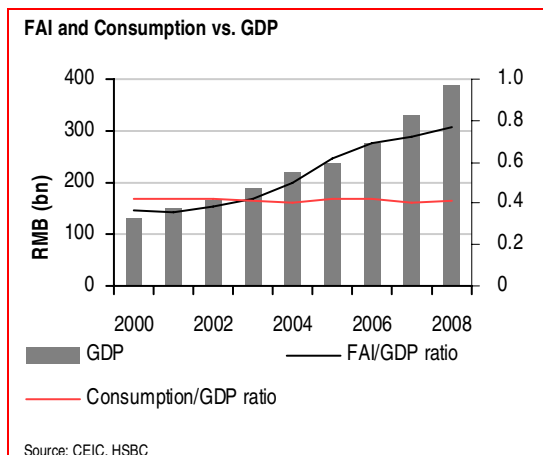
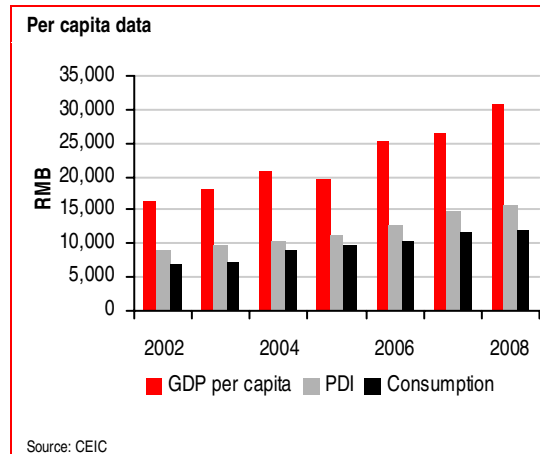
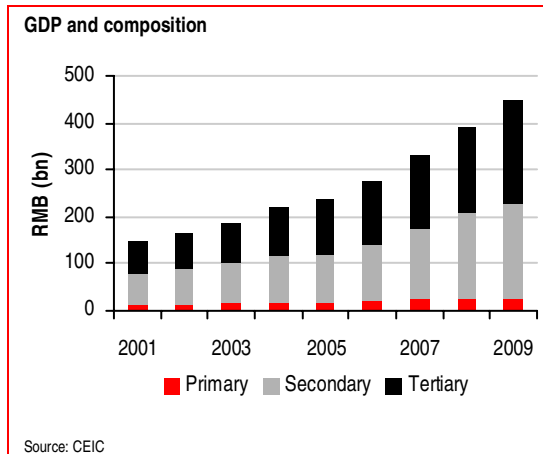
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Chengdu (成都)

Province	Sichuan	Population (2008 m)	11.2	Land area (sq km)	12,390	GDP (2009 RMBbn)	450
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- ▶ Chengdu is one of the seven cities in China that have more than 10 million people. The city led the Western Region in terms of economic and political influence until Chongqing was upgraded to a municipality in the late 1990s. It received USD2.8bn FDI in 2009 (vs. Chongqing's USD40bn).
- ▶ The city is the region's road and rail transportation hub.
- ▶ A relaxed urban culture, spicy Sichuan-style food and a large number of historical and scenic sites in the surrounding area make Chengdu a popular tourist destination, supporting a growing service industry.
- ▶ The city didn't have its first subway until September 2010 but five more lines are expected to be built before 2020 which will expand the core urban area. The construction and real estate industries are expected to benefit significantly from these projects.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
New Hope Group	新希望集团有限公司	Industrials	46	A share: 000876	#134 in China 500, #5 in Private 500
Chengdu Railway Administration Bureau	成都铁路局	Industrials	41		#152 in China 500,
Dongfang Electric Corporation	中国东方电气集团有限公司	Utilities	39	A share: 600875 H share: 1072	#165 in China 500,
Tongwei Group	通威集团有限公司	Consumer staples	26	A share: 600438	#25 in Private 500
Hongda Group	四川宏达(集团)有限公司	Materials	23	A share: 600331	#257 in China 500, #31 in Private 500
Sichuan Tranvic Group Co. Ltd	四川省川威集团有限公司	Materials	20		#293 in China 500,
Chengdu Construction Engineering Corporation Group	成都建筑工程集团总公司	Industrials	18		#327 in China 500,
Sichuan Huashi Group Corporation Limited	四川华西集团有限公司	Industrials	18		#330 in China 500,
Kelun Pharmaceutical	四川科伦实业集团有限公司	Health care	11	A share: 002422	#111 in Private 500

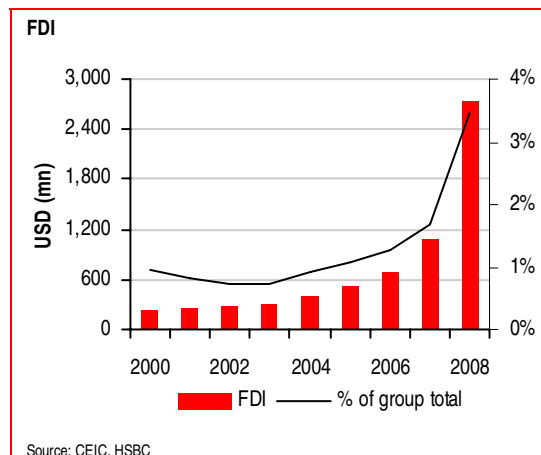
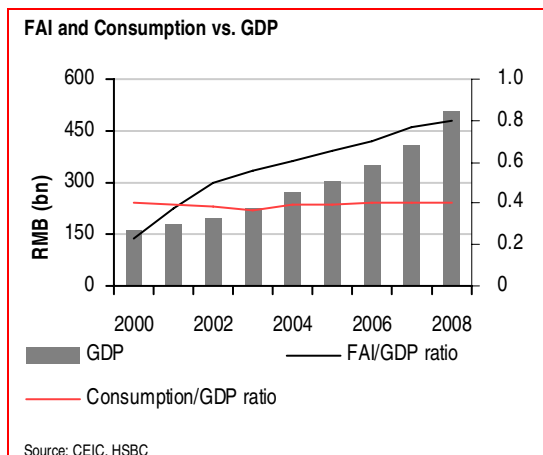
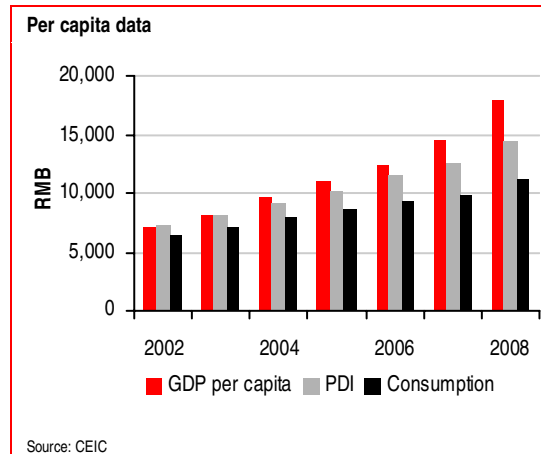
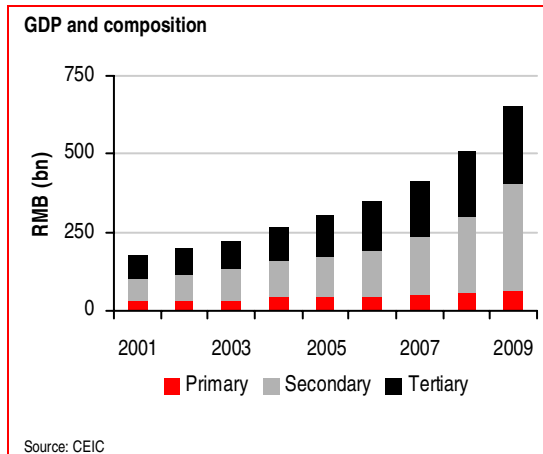
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Chongqing (重庆)

Province	Chongqing	Population (2008 m)	28.4	Land area (sq km)	82,826	GDP (2009 RMBbn)	653
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- ▶ Chongqing became China's 4th and largest municipality (by population) in 1997 and has the responsibility of leading China's strategic Western Development initiative.
- ▶ The city is traditionally the largest transportation manufacturer in the Western Region (30% of country's motorcycle production and the largest automobile maker in the region).
- ▶ As part of the Western Development initiative, Chongqing is revamping itself in all fronts. Led by massive infrastructure investment, Chongqing spent RMB521bn on FAI (vs. RMB653bn GDP) in 2009, a 31% y-o-y increase. Its FDI more than doubled in 2008 and the momentum continued in 2009.
- ▶ Chongqing aims to become a) a financial centre with a focus on financial settlement service for trade e-commerce; b) a manufacturing base with a focus on notebook PC (80m units by 2015) and IT products; c) a free trade zone (USD100bn by 2015), leveraging its railway access to Europe; d) a transport hub leveraging the Yangtze River's waterway capacity plus air, rail and road connections.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Chongqing General Trading Group	重庆商社（集团）有限公司	Industrials	25	A share: 600729	#244 in China 500
Chongqing Construction Engineering Group Corporation Limited	重庆建工集团有限责任公司	Industrials	22		#266 in China 500
Chongqing Biochemical Holding Corporation	重庆化医控股（集团）公司	Health care	16		#363 in China 500
Chongqing Iron And Steel (Group) Co., Ltd	重庆钢铁（集团）有限责任公司	Materials	16	A share: 601005	#371 in China 500
Taiji Group Co., Ltd	太极集团有限公司	Health care	14	A share: 600129	#415 in China 500
Lifan Industry (Group) Co., Ltd	重庆力帆控股有限公司	Consumer discretionary	13	A share: 601777	#419 in China 500, #81 in Private 500
Chongqing Energy Group	重庆市能源投资集团公司	Energy	13		#432 in China 500
Loncin Holdings Ltd	隆鑫控股有限公司	Consumer discretionary	13		#438 in China 500, #106 in Private 500
Chongqing Light Industry & Textile Holding(Group)Co., Ltd	重庆轻纺控股（集团）公司	Consumer discretionary	13	A share: 600132, 600689	#441 in China 500
Chongqing Rural Commercial Bank	重庆农村商业银行股份有限公司	Financials	13		#446 in China 500
Chongqing Longfor Development Co., Ltd	重庆龙湖企业拓展有限公司	Consumer discretionary	12	H share: 960	#88 in Private 500
Chongqing Zongshen Automobile Industry Manufacturing Co., Ltd.	宗申产业集团有限公司	Consumer discretionary	11	A share: 001696 TSX: ZPP	#107 in Private 500

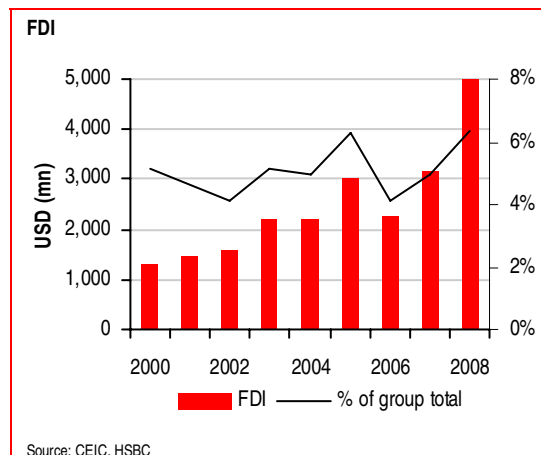
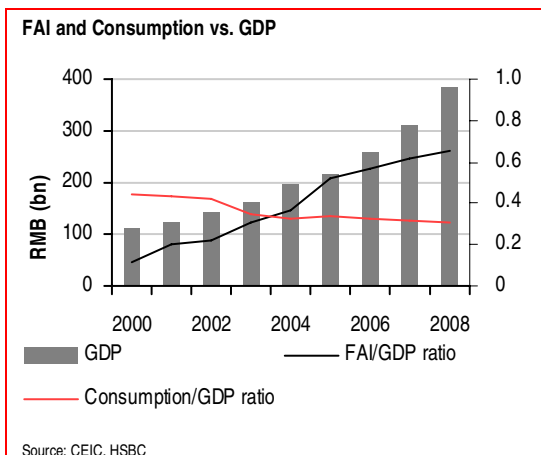
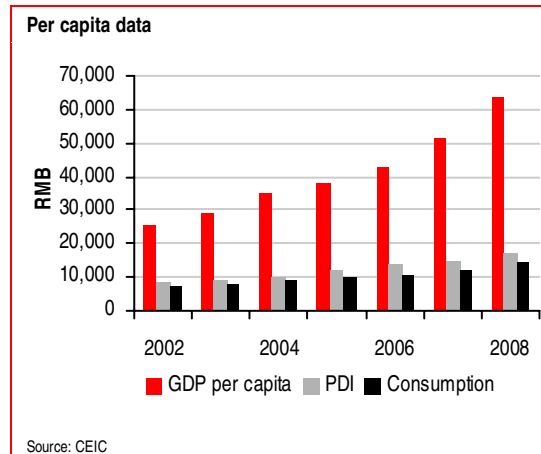
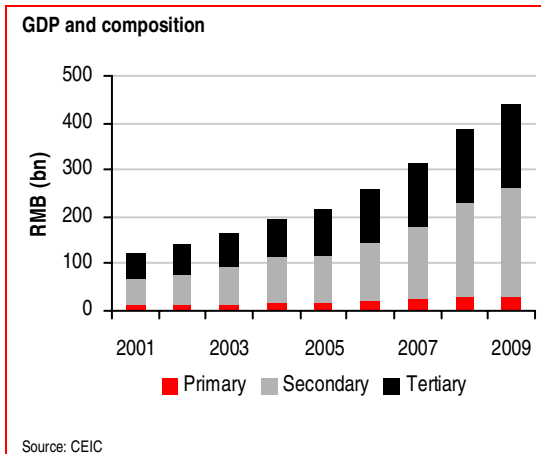
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Dalian (大连)

Province	Liaoning	Population (2008 m)	5.8	Land area (sq km)	12,574	GDP (2009 RMBbn)	442
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- ▶ Dalian, located at the far end of the Liaodong peninsula, is the largest port in the Northeast Region and fifth largest in the country, with a goal of becoming “Hong Kong of the North”.
- ▶ The city received an international Liveable Communities award from the UN in 2009 for its beautiful natural environment and well-developed city infrastructure.
- ▶ Leveraging its liveable environment, Dalian has a well-established service industry in software (the Dalian Software Park or 大连软件园), which has become Dalian’s pillar industry, and financial services with a focus on foreign exchange and international trade settlement). It is the financial centre of the Northeast Region.
- ▶ The Dalian Commodity Exchange is now the world’s second largest futures market for soybeans and the world’s 10th largest commodity exchange by transaction volume.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Dashang Group	大连大商集团有限公司	Consumer Discretionary	71	A share: 600694	#86 in China 500
Dalian West Pacific Petrochemical Company Ltd	大连西太平洋石油化工有限公司	Energy	28		#219 in China 500
Dalian Wandagroup Corporation Ltd.	大连万达集团股份有限公司	Industrials	25		#247 in China 500, #11 in Private 500
Dalian DHI. DCW Group, Ltd.	大连重工·起重集团有限公司	Industrials	19	A share: 002204	#304 in China 500
Dongbei Special Steel Group Co., Ltd	东北特殊钢集团有限责任公司	Materials	15		#386 in China 500
Fujia Group	福佳集团有限公司	Industrials	13		#427 in China 500
Dalian Shide Group Co. Ltd.	大连实德集团有限公司	Materials	12		#461 in China 500

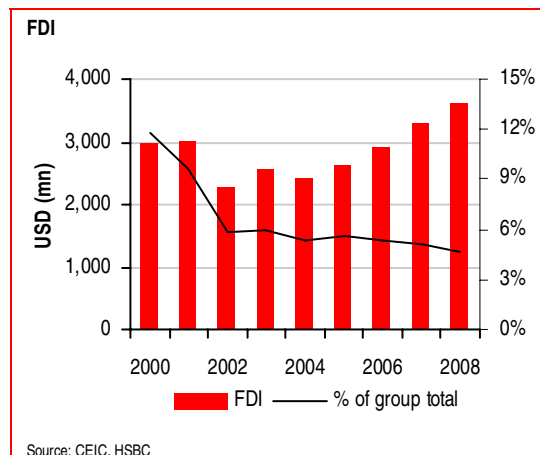
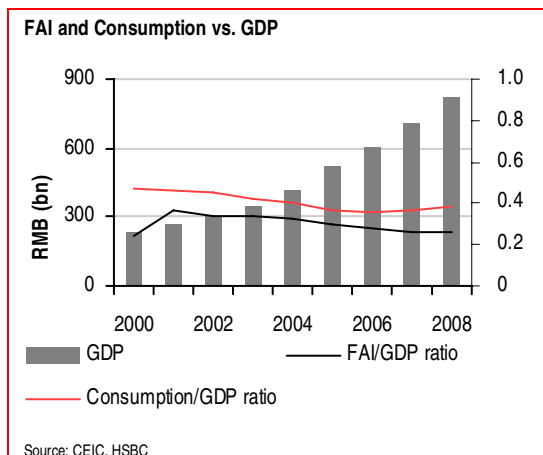
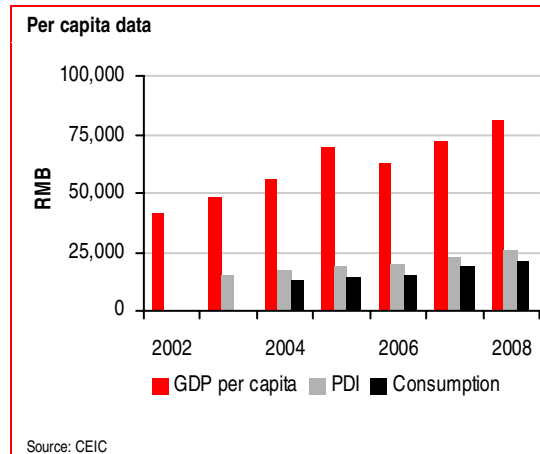
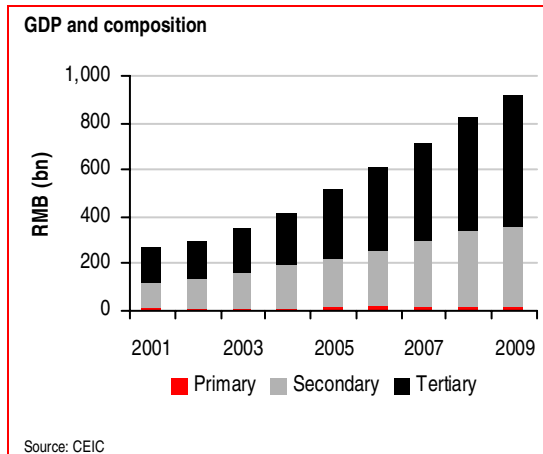
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Guangzhou (广州)

Province	Guangdong	Population (2008 m)	7.8	Land area (sq km)	7,434	GDP (2009 RMBbn)	911
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- ▶ Guangzhou is China's 3rd largest city measured by GDP and total consumption behind Shanghai and Beijing. It is also southern China's centre for business, trade and cultural activities.
- ▶ With GDP likely to pass RMB1trn in 2010 thanks to the Asian Games, Guangzhou is China's only city where consumption has contributed more to GDP than FAI for the last 10 years, a growth model Beijing would love to replicate in the rest of the country. It has the highest per capita consumption.
- ▶ Famous for its long-standing annual Canton Fair, China's largest trade fair, Guangzhou aims to develop world-class specialist trade fairs by 2012, focusing on autos, textile and clothing, furniture and home improvement. It also an important port, ranked 3rd and 4th in national container and freight throughput, respectively.
- ▶ The high-speed railway between Guangzhou and Hong Kong will cut commuting time to 40 minutes, strengthening Guangzhou's position as a transportation hub.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
China Southern Power Grid	中国南方电网有限责任公司	Utilities	312		#12 in China 500
Guangzhou Automobile Industry Group Co., Ltd.	广州汽车工业集团有限公司	Consumer discretionary	134	A share: 600991 H share: 2238	#44 in China 500
China Southern Air Holding Company	中国南方航空集团公司	Industrials	56	A share: 600029 H share: 1055	#101 in China 500
Guangdong Materials Group Corporation	广东物资集团公司	Materials	53		#114 in China 500
Guangdong Foreign Trade Group	广东省广新外贸集团有限公司	Industrials	43	A share: 600866, 600183, 000973, 002400 ASX: KZL, MUX	#140 in China 500
Guangzhou Railway Group	广州铁路(集团)公司	Industrials	43	A share: 601333 H share: 525	#142 in China 500
Guangdong Yudean Group Co., Ltd.	广东省粤电集团有限公司	Utilities	41	A share: 000539	#153 in China 500
Guangdong Communication Group	广东省交通集团有限公司	Industrials	28	A share: 000429 H share: 3399	#220 in China 500
Guangdong Development Bank	广东发展银行股份有限公司	Financials	26	A share: 000776	#241 in China 500
Guangdong Silk-Tex Group Co., Ltd	广东省丝绸纺织集团有限公司	Consumer discretionary	25		#245 in China 500
Guangzhou Municipal Construction Group Co., Ltd	广州市建筑集团有限公司	Industrials	20		#298 in China 500
Guangdong Construction Engineering Group Co., Ltd.	广东省建筑工程集团有限公司	Industrials	19		#302 in China 500
Southern Petrochemical Co., Ltd of Guangdong Province Petroleum Enterprise Group	广东省石油企业集团南方石油化工有限公司	Energy	19		#309 in China 500
Guangdong Rising Assets Management Co., Ltd.	广东省广晟资产经营有限公司	Materials	18	A share: 000060, 000636, 600259	#323 in China 500
Heungkong Group Limited	香江集团	Industrials	16	A share: 600162	#65 in Private 500
Guangzhou Wanbao Group Co., Ltd	广州万宝集团有限公司	Consumer discretionary	13		#444 in China 500

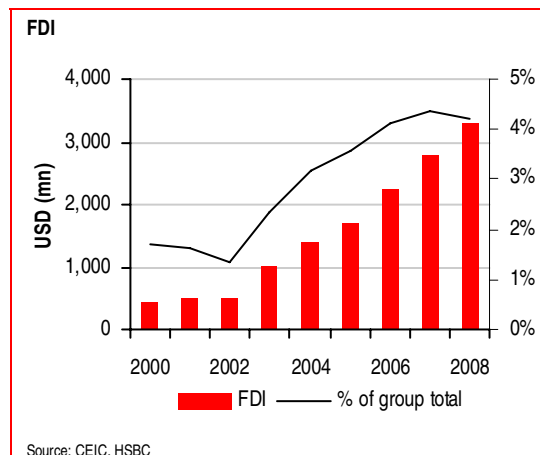
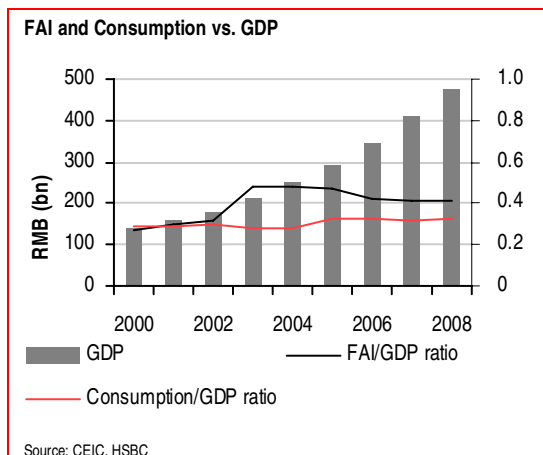
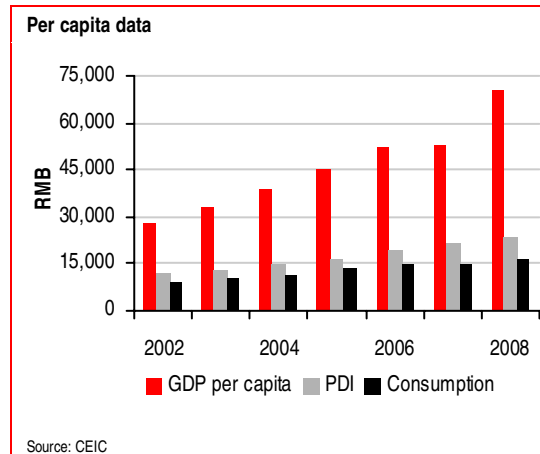
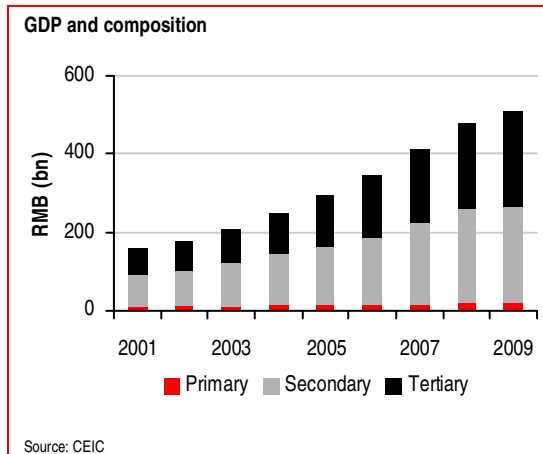
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Hangzhou (杭州)

Province	Zhejiang	Population (2008 m)	6.8	Land area (sq km)	16,596	GDP (2009 RMBbn)	510
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- ▶ Hangzhou, ranked 8th in GDP in terms of cities, is the financial and cultural centre of Zhejiang province (ranked 4th).
- ▶ Hangzhou is known for its business-friendly environment and had been ranked No.1 in Forbes Magazine's "Top Commercial Cities in Mainland China" for four consecutive years. 23 of China's top 500 companies are headquartered here, the third highest number in China.
- ▶ The city is also home to the largest number of China's top private enterprises. Alibaba Group, which owns the world's largest C2C (Taobao) and B2B (Alibaba) e-business platform was founded there.
- ▶ Historically dubbed a "heavenly city" along with Suzhou, its 1,500-year history, breathtaking lake views, new high-speed railway links to Shanghai and other cities, and collection of luxury brands, makes Hangzhou one of China's top tourist destinations.

Selected key data



Leading Companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Zhejiang Materials Industry Group Corporation	浙江省物产集团公司	Industrials	113	A share: 600704, 000906	#52 in China 500
Wanxiang Group Corporation	万向集团公司	Industrials	51	A share: 000559, 000848, 600371	#118 in China 500
Guangsha Group	广厦控股创业投资有限公司	Financials	51	A share: 600052	#122 in China 500, #4 in Private 500
Hangzhou Iron & Steel Group Company	杭州钢铁集团公司	Materials	44	A share: 600126	#139 in China 500
Hangzhou Wahaha Group Co., Ltd.	杭州娃哈哈集团有限公司	Consumer discretionary	43		#141 in China 500, #8 in Private 500
Zhejiang Provincial Energy Group Company Ltd.	浙江省能源集团有限公司	Utilities	41	A share: 900949	#154 in China 500
Zhejiang Xinghe Group	浙江省兴合集团公司	Industrials	36		#180 in China 500
China Tobacco Zhejiang Industrial Co., Ltd.	浙江中烟工业有限责任公司	Consumer staples	30		#209 in China 500
Zhejiang International Business Group Co., Ltd.	浙江省国际贸易集团有限公司	Industrials	30	A share: 600120	#211 in China 500
Zhejiang Hengyi Group Co., Ltd.	浙江恒逸集团有限公司	Materials	26		#235 in China 500, #26 in Private 500
Zhejiang Group	浙江省建设投资集团有限公司	Industrials	26		#239 in China 500
Zhongtian Group	中天发展控股集团有限公司	Financials	22		#270 in China 500, #35 in Private 500
Zhejiang Commercial Group Co., Ltd.	浙江省商业集团有限公司	Financials	22	A share: 000918	#272 in China 500
Zhejiang Communications Investment Group	浙江省交通投资集团有限公司	Industrials	22	H share: 576	#273 in China 500
Hangzhou Steam Turbine Co., Ltd.	杭州汽轮机动力集团有限公司	Industrials	20	A share: 200771	#294 in China 500
Zhejiang Rongsheng Holding Group Co., Ltd.	浙江荣盛控股集团有限公司	Materials	19	A share: 002493	#303 in China 500, #49 in Private 500
Hangzhou Zhongce Rubber Company Limited	杭州橡胶(集团)公司	Industrials	17		#349 in China 500
Geely Holding Group	浙江吉利控股集团有限公司	Consumer discretionary	17	H share: 175	#359 in China 500, #58 in Private 500
Dunan Group	盾安控股集团有限公司	Industrials	15	A share: 002011	#384 in China 500, #70 in Private 500
Xinhu Group Co., Ltd.	浙江新潮集团股份有限公司	Industrials	14	A share: 600208, 600095	#76 in Private 500
Kunlun Holding Group Co., Ltd.	浙江昆仑控股集团有限公司	Industrials	13		#429 in China 500, #83 in Private 500
Holley Group Co., Ltd.	华立集团股份有限公司	Health care	12	A share: 000607, 600422, 600976	#465 in China 500, #93 in Private 500
Xizi United Holding Corporation	西子联合控股有限公司	Industrials	12		#482 in China 500, #99 in Private 500
Transfar Group	传化集团有限公司	Materials	11	A share: 002010, 600596	#484 in China 500, #100 in Private 500
Fuchunjiang Smelting Co., Ltd.	杭州富春江冶炼有限公司	Materials	10		#127 in Private 500

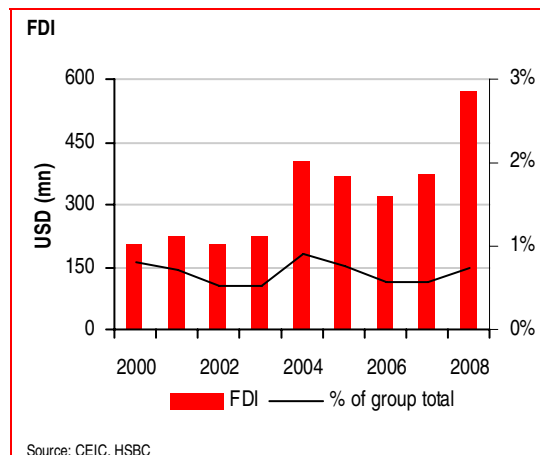
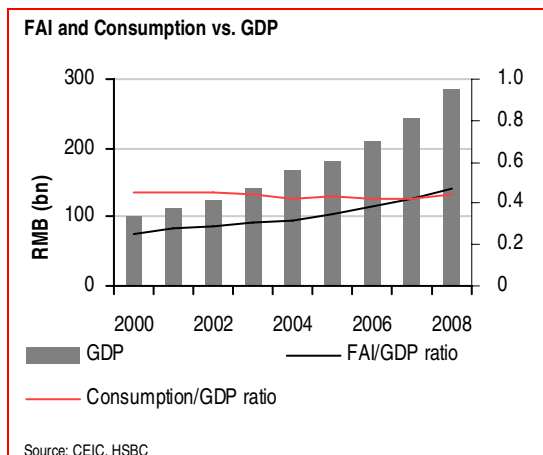
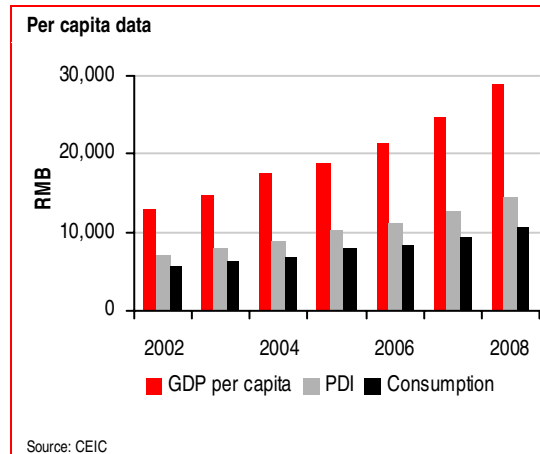
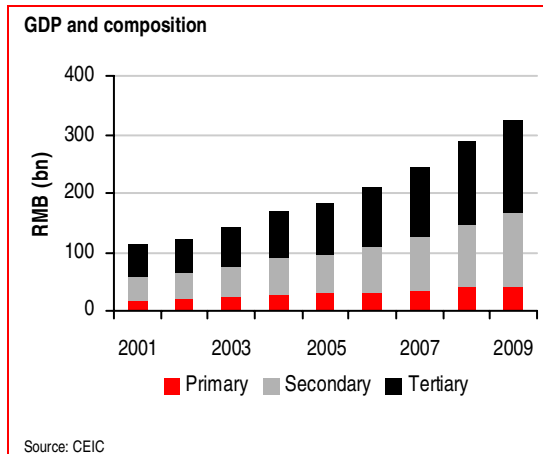
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Harbin (哈尔滨)

Province	Heilongjiang	Population (2008 m)	9.9	Land area (sq km)	53,068	GDP (2009 RMBbn)	326
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- ▶ Harbin is China's key agriculture base thanks to its fertile land irrigated by the Songhua River (Sungari in English). The city has developed a complete agricultural value chain, from planting to food processing, trading services, animal husbandry and supporting products.
- ▶ Harbin is historically a heavy industrial base in the north. The city has also developed a strong position in equipment manufacturing, petrochemicals and pharmaceuticals.
- ▶ Located in the centre of Northeast Asia, Harbin acts as an international land bridge and is an important air and railway hub (it has the highest rail density in China).
- ▶ Harbin is catching up with its southern peers in urbanization. Its first subway opened in 2008 and more than 3,000km of old roads are under reconstruction.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Heilongjiang Agriculture Company	黑龙江北大荒农垦集团总公司	Consumer Staples	73	A share: 600598	#83 in China 500
Heilongjiang Longway Mining Holding Group Co., Ltd	黑龙江龙煤矿业控股集团有限责任公司	Energy	33		#194 in China 500
Harbin Electric Corporation	哈尔滨电气集团公司	Industrials	31		#201 in China 500
Harbin Railway Administration Bureau	哈尔滨铁路局	Industrials	30		#207 in China 500
Harbin Pharmaceutical Group	哈药集团有限公司	Health Care	16	A share: 600664, 600829	#372 in China 500
Heilongjiang Jiusan Oil & Fat Co., Ltd	九三粮油工业集团有限公司	Consumer Staples	15		#393 in China 500
Orient Group	东方集团实业股份有限公司	Financials	12	A share: 600811	#92 in Private 500

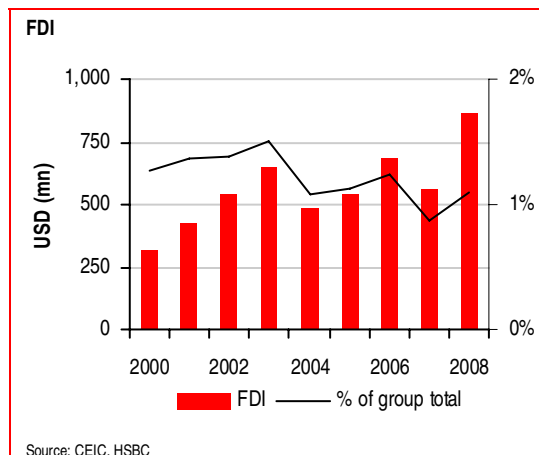
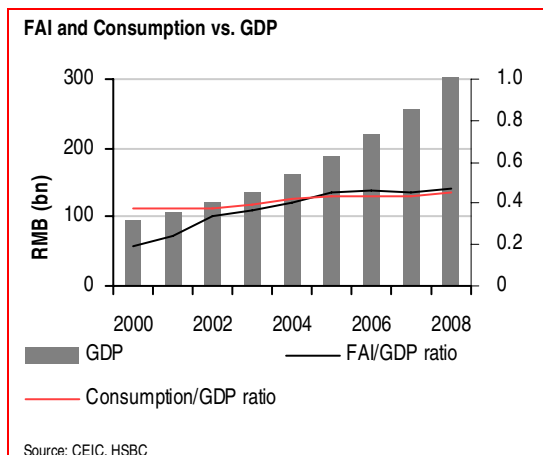
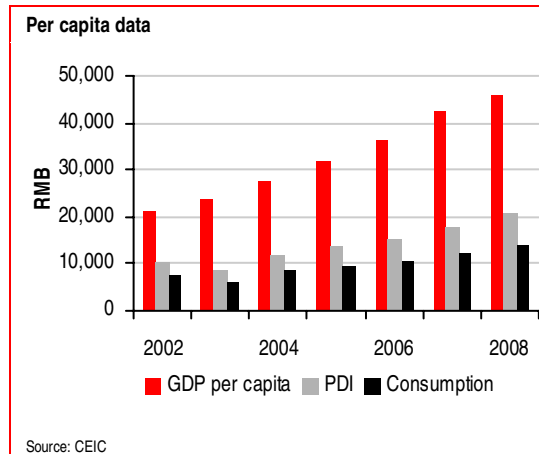
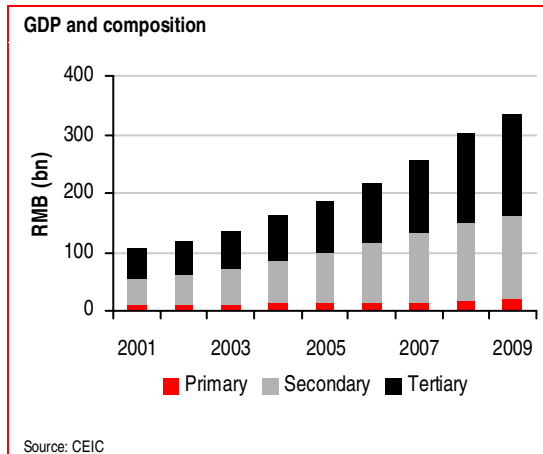
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Jinan (济南)

Province	Shandong	Population (2008 m)	6.0	Land area (sq km)	8,177	GDP (2009 RMBbn)	335
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- ▶ As the provincial capital, Jinan used to be the largest city in Shandong, China's third largest province by GDP. It has a strong heavy industry base in iron, steel and heavy-duty equipment manufacturing. Food processing is another pillar industry thanks to cheap and stable supply of raw materials from Shandong, which is the largest agricultural province.
- ▶ However, Jinan has fallen behind Qingdao and Yantai in Shandong in the last two decades. Its peers have been more aggressive in attracting FDI, upgrading industry and expanding foreign trade.
- ▶ In recent years, the city has put more focus on high tech industries such as IT (which had a y-o-y growth of 26% in 2009) and pharmaceuticals.
- ▶ It spent RMB140bn to host China's 11th National Games in 2009, which improved the city's infrastructure significantly, underpinning future growth.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Shandong Iron and Steel Group Co., Ltd	山东钢铁集团有限公司	Materials	87	A share: 600022, 600102	#66 in China 500
China National Heavy Duty Truck Group Corp., Ltd.	中国重型汽车集团有限公司	Industrials	56	H share: 3808	#105 in China 500
Jinan Railway Administration Bureau	济南铁路局	Industrials	29		#215 in China 500
Inspur Co., Ltd	浪潮集团有限公司	Information Technology	27	A share: 000977, 600756	#228 in China 500
Shandong Commercial Group Co., Ltd.	山东省商业集团有限公司	Industrials	26	A share: 600858, 600223	#242 in China 500
Shandong Gold Group Co., Ltd.	山东黄金集团有限公司	Financials	25	A share: 600547	#243 in China 500
China Tobacco Shandong Industrial Co., Ltd	山东中烟工业有限责任公司	Consumer Staples	18		#326 in China 500
Shandong Hi-Speed Group Co., Ltd	山东高速集团有限公司	Industrials	15	A share: 600350	#377 in China 500
Keda Group Co., Ltd	山东科达集团有限公司	Industrials	13	A share: 600986	#448 in China 500, #114 in Private 500

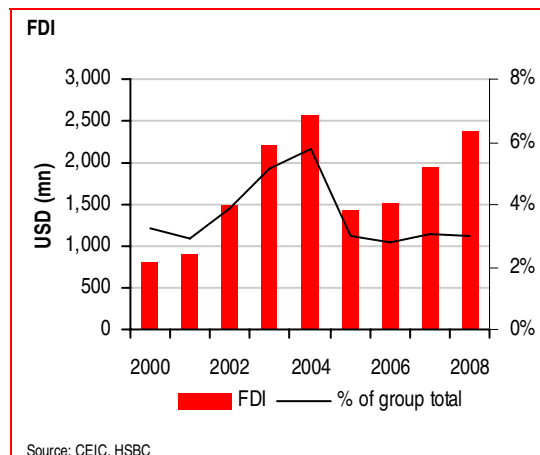
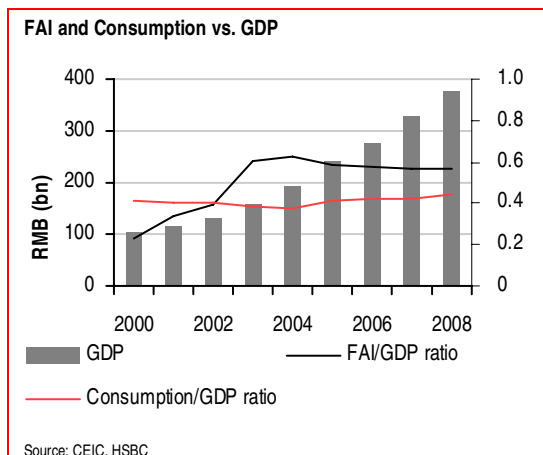
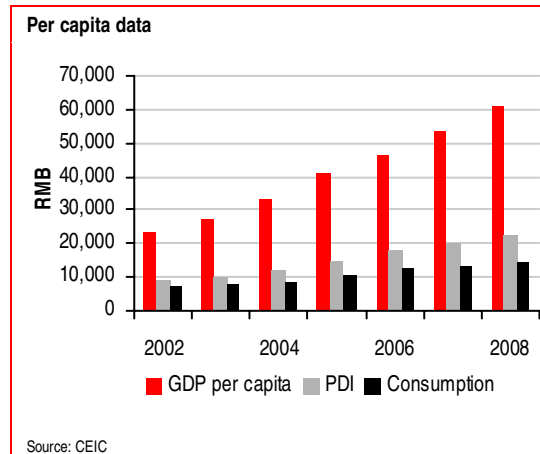
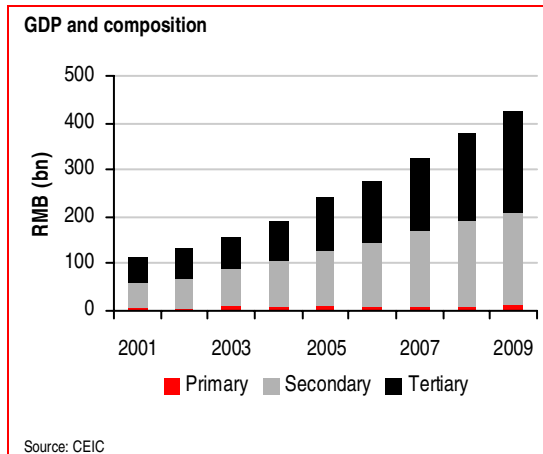
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Nanjing (南京)

Province	Jiangsu	Population (2008 m)	6.2	Land area (sq km)	6,582	GDP (2009 RMBbn)	423
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- ▶ Located at the western end of the Yangtze River Delta, China's largest economic zone, Nanjing is the capital of Jiangsu (2nd largest province by GDP) and was the nation's capital for six dynasties.
- ▶ Nanjing is the most important inland transportation hub in the east of China as it sits at the crossroads of the Beijing-Shanghai railway (the busiest passenger route) and the Yangtze River. It also commands significant economic and cultural influence over the surrounding cities and is the shopping centre for residents in the northern part of Jiangsu and the eastern part of Anhui.
- ▶ Nanjing's major industries include iron and steel, IT, food processing and health care. It also has an advanced tertiary sector and is home to China's largest electronics chain store, Suning Corporation (苏宁). Nanjing ranked 3rd (behind Beijing and Shanghai) in the quality of post-secondary education, according to the Ministry of Education. As with Jinan in Shandong, Nanjing also faces significant challenges from Suzhou and Wuxi, two cities that have larger GDPs than the capital city.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Suning Corporation	江苏苏宁电器集团有限公司	Consumer discretionary	117	A share: 002024	#50 in China 500, #2 in Private 500
Nanjing Iron and Steel Group	南京钢铁集团有限公司	Materials	51	A share: 600282	#120 in China 500
Yurun Group Co., Ltd.	江苏雨润食品产业集团有限公司	Consumer discretionary	45	A share: 600280 H share: 1068	#135 in China 500, #7 in Private 500
Sanpower Group	三胞集团有限公司	Information Technology	37	A share: 600122	#174 in China 500, #13 in Private 500
Suning Universal Group	江苏苏宁环球集团有限公司	Financials	27	A share: 000718	#226 in China 500, #29 in Private 500
Nanjing Pharmaceutical Co., Ltd	南京医药产业(集团)有限责任公司	Health care	20	A share: 600713	#295 in China 500
Gaoli Group	江苏高力集团有限公司	Consumer discretionary	19	H share: 1118	#316 in China 500, #53 in Private 500
Jiangsu GPRO Group Co., Ltd	江苏金浦集团有限公司	Materials	15		#71 in Private 500
Golden Eagle Group Limited	南京金鹰国际集团有限公司	Consumer discretionary	12	A share: 600682 H share: 3308	#96 in Private 500
Fullshare Group	南京丰盛产业控股集团有限公司	Industrials	11		#108 in Private 500

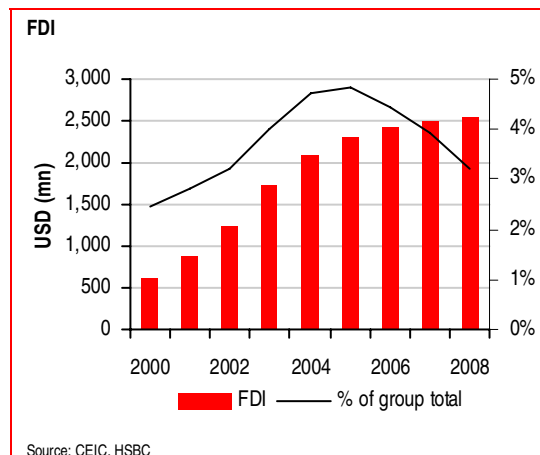
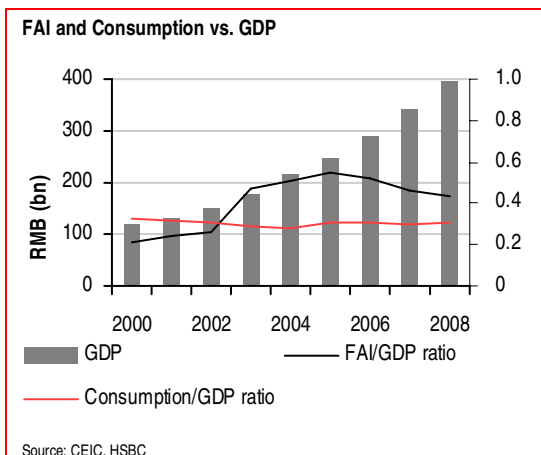
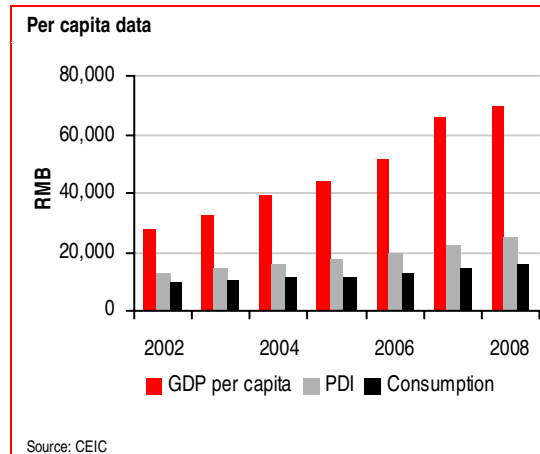
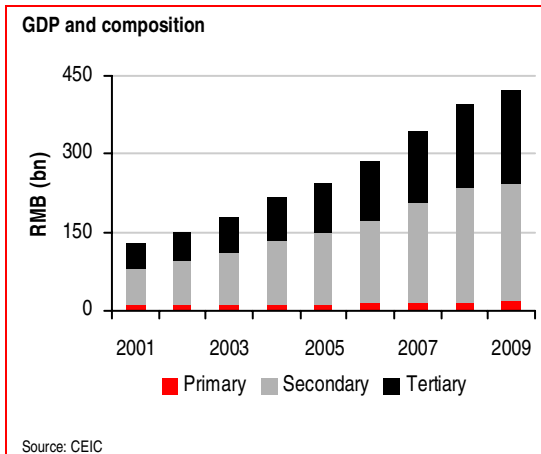
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Ningbo (宁波)

Province	Zhejiang	Population (2008 m)	5.7	Land area (sq km)	9,817	GDP (2009 RMBbn)	421
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- ▶ Ningbo is the largest port in China (and the world based on freight throughput) with a focus on raw materials, crude oil and liquid natural gas. Second-ranked Shanghai is more container focused.
- ▶ Ningbo has a strong manufacturing base (a leader in garments and industrial machinery), petrochemicals and energy, leveraging its port facility for shipping raw materials and finished goods.
- ▶ Ningbo's position as a transport hub was further strengthened by investing over RMB10bn to improve its connection with other cities. For example, the completion of the Hangzhou Bay Bridge, the world's longest trans-oceanic bridge, cuts commuting time between Shanghai and Ningbo from 4 to 2.5 hours. Port-related activities contributed RMB250bn to Ningbo's 2009 GDP.
- ▶ Unlike other big cities in China, Ningbo's economy is mostly driven by its thriving private enterprises. As of 2009, the six largest companies in Ningbo were all founded by private entrepreneurs.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Youngor Group	雅戈尔集团股份有限公司	Consumer discretionary	27	A share: 600177	#225 in China 500, #24 in Private 500
Jiangtian Group	宁波金田投资控股有限公司	Materials	21		#282 in China 500, #40 in Private 500
Aux Group Co., Ltd	奥克斯集团有限公司	Consumer discretionary	20		#296 in China 500, #44 in Private 500
Fubang (Holdings) Limited	宁波富邦控股集团集团有限公司	Industrials	14	A share: 600768	#409 in China 500, #78 in Private 500
Ningbo Yinyi Group Co., Ltd	宁波银亿集团有限公司	Industrials	13		#424 in China 500, #82 in Private 500
Grand Group Co.	浙江远大进出口有限公司	Industrials	13	A share: 000626	#431 in China 500, #84 in Private 500
Evergreen Industries Holding Group	春和集团有限公司	Industrials	12		#451 in China 500
Ningbo Veken Co.,Ltd	维科控股集团股份有限公司	Consumer discretionary	12	A share: 600152	#470 in China 500
China-Base Ningbo Group Co., Ltd.	中基宁波集团股份有限公司	Industrials	11		#487 in China 500, name changed from "China-Base Ningbo Foreign Trade Co., Ltd." in 2010

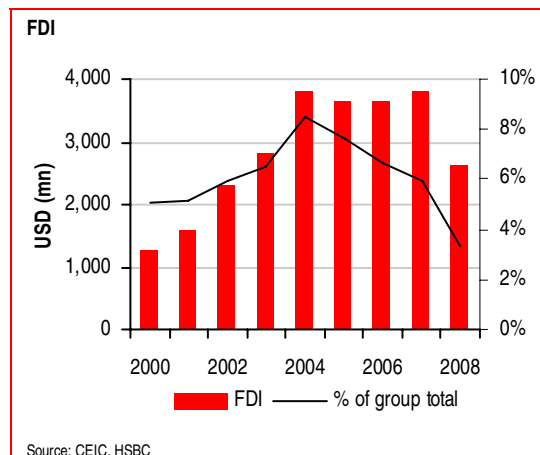
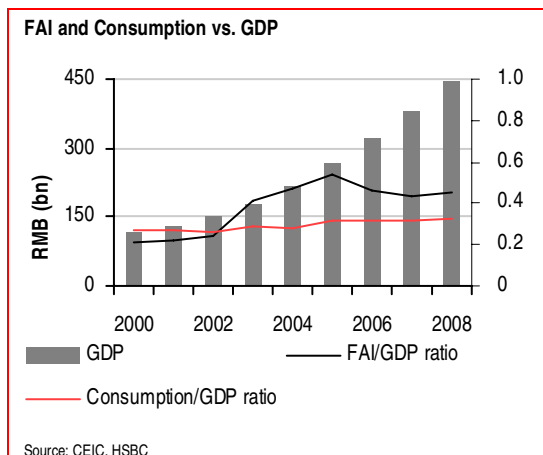
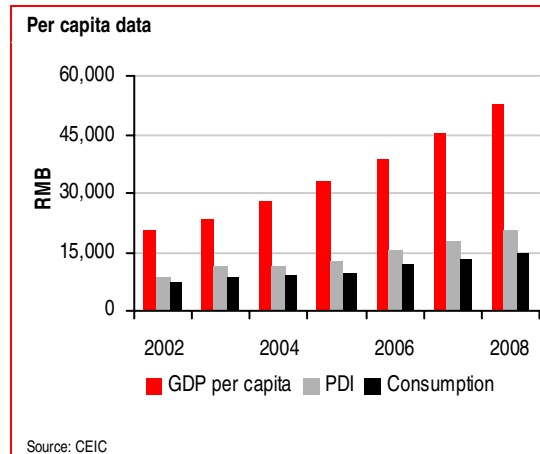
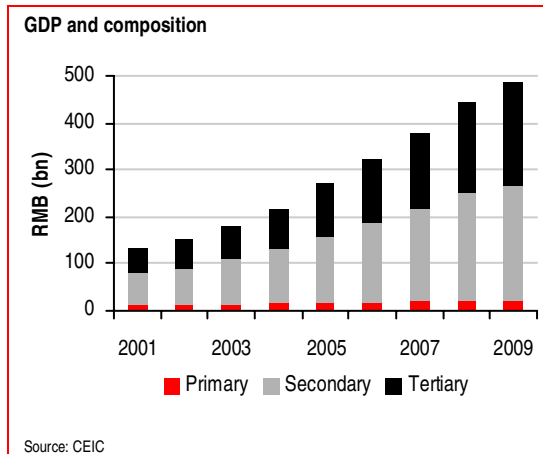
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Qingdao (青岛)

Province	Shandong	Population (2008 m)	7.6	Land area (sq km)	10,978	GDP (2009 RMBbn)	489
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- ▶ Located on the Shandong Peninsula on the Pacific Ocean, Qingdao has had the fastest GDP growth amongst our selected cities for the last 10 years thanks to thriving local businesses and large FDI inflows.
- ▶ The city has long been a top foreign investment destination since the late 1970s due to its proximity to Japan and Korea and its cultural roots as a former German colony. Qingdao is China's fifth largest port city (315m tonnes of freight throughput and 10m TEUs in 2009).
- ▶ Its beautiful coastline, good living conditions, famous beer festival and boating culture make it a top tourist destination, boosting its tertiary industry.
- ▶ Major industries in the city are electronics manufacturing, food processing and equipment manufacturing. It hosts five national and international brands (also known as Five Golden Flowers) that include Qingdao in beer, Haier (海尔) and Hisense (海信) in electronics and home appliances.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Haier Group	海尔集团公司	Consumer discretionary	125	A share: 600690	#47 in China 500
Hisense Group	海信集团有限公司	Consumer discretionary	56	A share: 600060, 000921 H share: 921	#102 in China 500
Liuhe Group Co. Ltd.	山东六和集团有限公司	Industrials	40		#157 in China 500
Qingdao Iron and Steel Group Co. Ltd	青岛钢铁控股集团有限责任公司	Materials	31		#202 in China 500
Tsingtao Brewery Co., Ltd	青岛啤酒股份有限公司	Consumer discretionary	18	A share: 600600 H share: 168	#329 in China 500
Hiking Group	新华锦集团有限公司	Industrials	17	A share: 600735	#353 in China 500
Qingjian Group Co., Ltd.	青建集团股份公司	Industrials	16		#362 in China 500
Liqun Group Co.,Ltd	利群集团股份公司	Consumer discretionary	15		#379 in China 500
Qingdao Port (Group) Co., Ltd	青岛港(集团)有限公司	Industrials	13		#442 in China 500

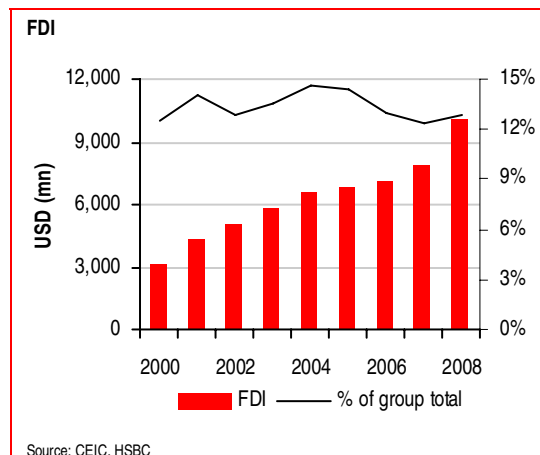
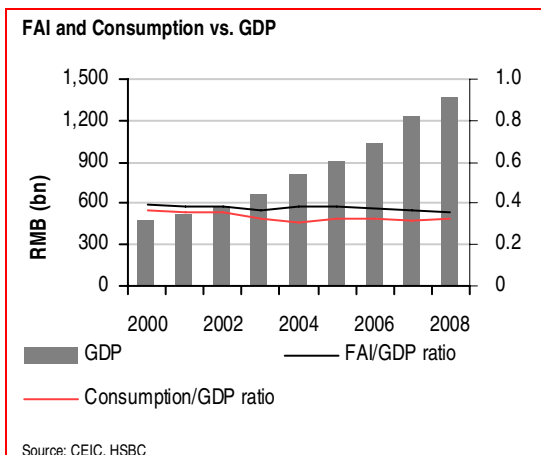
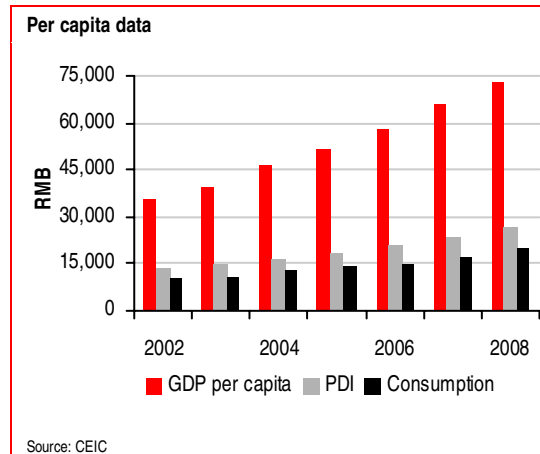
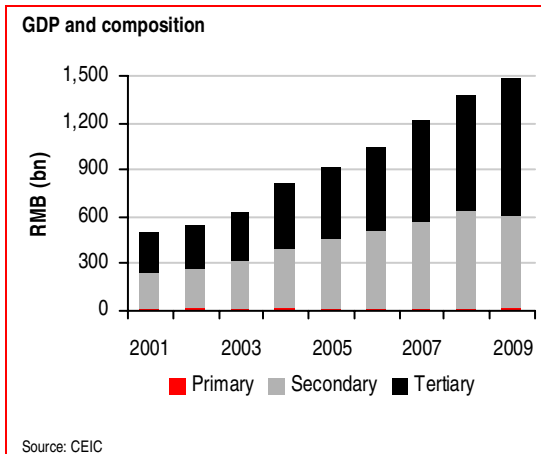
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Shanghai (上海)

Province	Shanghai	Population (2008 m)	18.9	Land area (sq km)	6,340	GDP (2009 RMBbn)	1,490
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- ▶ Shanghai is China's largest city by GDP. It is a major transport and port hub with ambitions to become a global financial, trade and high-tech centre.
- ▶ Shanghai also leads the nation in the quality of economic growth. More than 60% of GDP derives from the service sector, with the balance from relatively high-end industry such as automobiles, electronics, petrochemicals, steel & iron and equipment manufacturing.
- ▶ Shanghai is also the Chinese mainland's financial centre, home to 133 banks, 307 insurance companies, 93 securities companies and 170 foreign-owned financial institutions as well as the country's largest exchanges in stocks, gold, commodity and financial futures.
- ▶ Shanghai has the largest port in China in terms of container throughput. The city utilized USD10.5bn of overseas investment in 2009, the highest in China.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Shanghai Automotive Industry Corporation(Group)	上海汽车工业(集团)总公司	Consumer discretionary	230	A share: 600104, 600741	#17 in China 500
Shanghai Baosteel Group Corporation	宝钢集团有限公司	Materials	195	A share: 600019, 600581, 600845, 000717	#23 in China 500
Bailian Group	百联集团有限公司	Consumer staples	174	A share: 600631, 600827, 900923, 600822, 900927, 600833 H share: 980	#28 in China 500
China United Network Communications Limited	中国联合网络通信集团有限公司	Telecommunication services	159	A share: 600050 H share: 762	#34 in China 500
Bank of Communications Co.,Ltd.	交通银行股份有限公司	Financials	134	A share: 601328 H share: 3328	#45 in China 500
China Pacific Insurance (Group) Co., Ltd.	中国太平洋保险(集团)股份有限公司	Financials	104	A share: 601601	#59 in China 500
Shanghai Electric Group Co.,Ltd.	上海电气(集团)总公司	Industrials	90	A share: 601727 H share: 2727	#65 in China 500
Bright Food (Group) Co., Ltd.	光明食品(集团)有限公司	Consumer discretionary	76	A share: 600616, 600708, 600073, 600597	#79 in China 500
Shanghai Construction Group	上海建工(集团)总公司	Industrials	75	A share: 600170	#80 in China 500
Shanghai Railway Administration Bureau	上海铁路局	Industrials	60		#95 in China 500
Greenland Group	上海绿地(集团)有限公司	Financials	59		#96 in China 500
Shanghai Tobacco (Group) Corp.	上海烟草(集团)公司	Consumer staples	53		#113 in China 500
China Shipping Group	中国海运(集团)总公司	Industrials	45	A share: 601866, 600026, 600896 H share: 2866, 1138	#136 in China 500
China Eastern Airlines Corporation Limited	中国东方航空股份有限公司	Industrials	40	A share: 600115	#162 in China 500
Shanghai Pudong Development Bank	上海浦东发展银行股份有限公司	Financials	37	A share: 600000	#173 in China 500
Shanghai Fosun High Technology (Group) Co., Ltd.	上海复星高科技(集团)有限公司	Industrials	36	H share: 656	#177 in China 500, #14 in Private 500
East Hope Group	东方希望集团有限公司	Materials	32		#18 in Private 500
Shanghai Huayi (Group) Co.	上海华谊(集团)公司	Materials	30	A share: 600623, 600618, 600636	#210 in China 500
Shanghai Textile Holding (Group) Company	上海纺织控股(集团)公司	Industrials	23	A share: 600626, 600630	#256 in China 500
Huaye Iron & Steel Group	上海华冶钢铁集团有限公司	Materials	22		#271 in China 500, #36 in Private 500
Shenergy Group	申能(集团)有限公司	Energy	21	A share: 600642	#286 in China 500
Shanghai People Enterprise Group	上海人民企业(集团)有限公司	Industrials	20		#297 in China 500, #46 in Private 500
Taiping Life Insurance Company Limited	太平人寿保险有限公司	Financials	19	H share: 966	#314 in China 500
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	上海外高桥造船有限公司	Industrials	17		#341 in China 500
Shanghai International Port (Group) Co., Ltd	上海国际港务(集团)股份有限公司	Industrials	17	A share: 600018	#357 in China 500
Shanshan Holding Company	杉杉投资控股有限公司	Consumer discretionary	13	A share: 600884, 600110	#435 in China 500
Shanghai Shunye Steel Group Co., Ltd.	上海舜业钢铁集团有限公司	Materials	12		#452 in China 500, #89 in Private 500
Liangyou Group	上海良友(集团)有限公司	Consumer staples	11		#489 in China 500
Shanghai World Expo (Group) Co., Ltd	上海世博(集团)有限公司	Financials	11		#490 in China 500
Shanghai Yongda Holdings (Group) Co., Ltd	上海永达控股(集团)有限公司	Consumer discretionary	11		#105 in Private 500
Dahua Group	大华(集团)有限公司	Industrials	10		#119 in Private 500
Shanghai Ossen Investment Holding (Group) Co., Ltd	上海奥盛投资控股(集团)有限公司	Industrials	10		#128 in Private 500

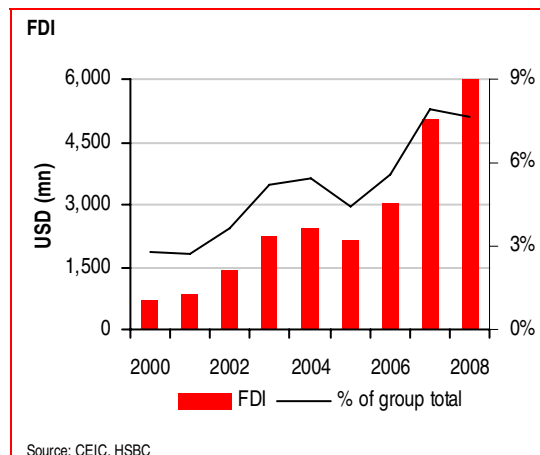
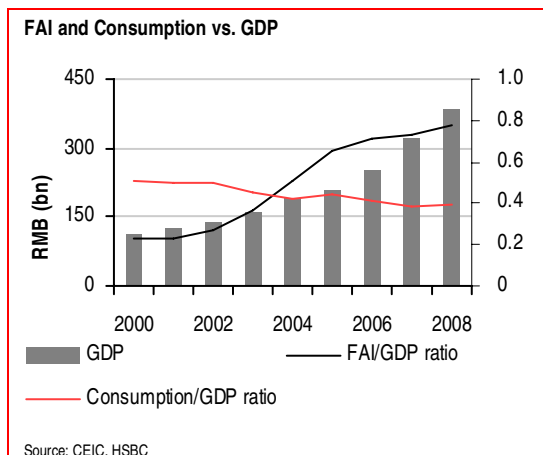
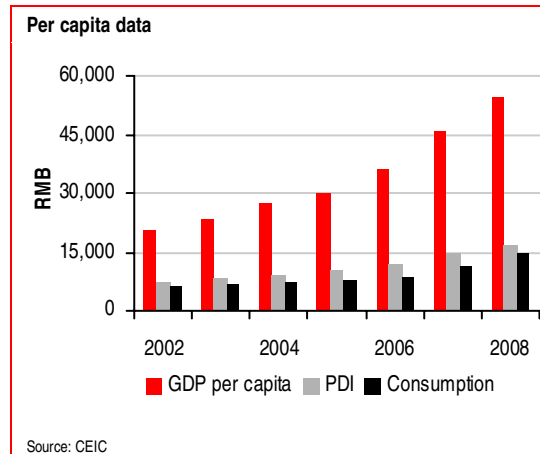
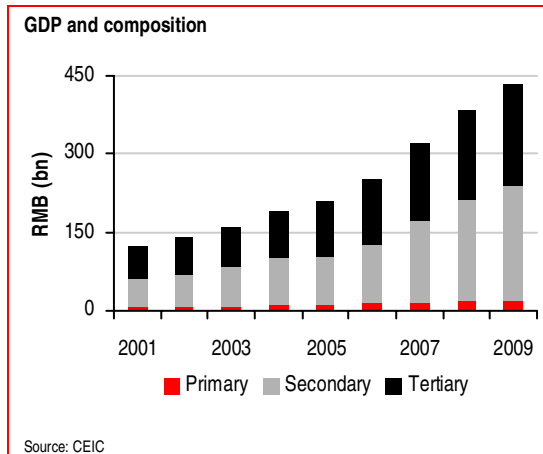
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Shenyang (沈阳)

Province	Liaoning	Population (2008 m)	7.1	Land area (sq km)	12,980	GDP (2009 RMBbn)	436
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- ▶ As the capital city, Shenyang contributes nearly one third of Liaoning's GDP. It is still a heavy industry base in northeastern China.
- ▶ Shenyang's major industries include automobile and heavy equipment manufacturing and agriculture products processing, leveraging the rich resources and fertile land. However, Shenyang was slow to reform its old industrial sector and its GDP has fallen behind Dalian since 1996 (and is way behind other coastal cities).
- ▶ However, Shenyang may benefit significantly from Beijing's "Revitalization of Old North-eastern Industrial Base" campaign. At the heart of the Shenyang Economic Zone, launched in April 2010 by the central government, Shenyang is expected to receive significant investment for industry upgrades and infrastructure construction, ensuring fast growth ahead.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company Name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Shenyang Railway Administration Bureau	沈阳铁路局	Industrials	57		#99 in China 500
Shenyang Brilliance Jinbei Automobile Co., Ltd.	华晨汽车集团控股有限公司	Industrials	48	A share: 600609, 600653	#130 in China 500
Yuanda Enterprise Group	沈阳远大企业集团有限公司	Industrials	14		#403 in China 500, #145 in Private 500
Shenyang Machine Tool (Group) Co., Ltd	沈阳机床(集团)有限责任公司	Industrials	12	A share: 000410	#462 in China 500
North Heavy Industries Group Co., Ltd	北方重工集团有限公司	Industrials	12	A share: 600262	#477 in China 500

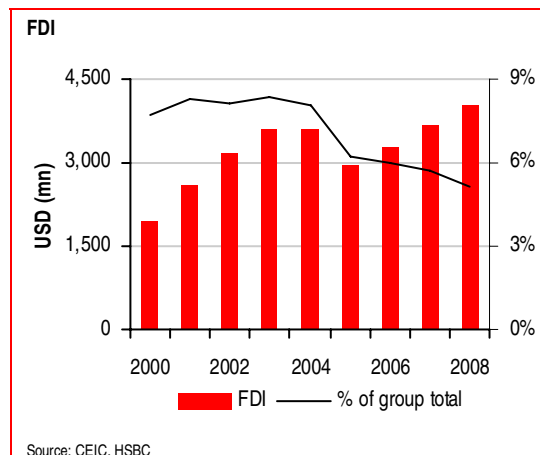
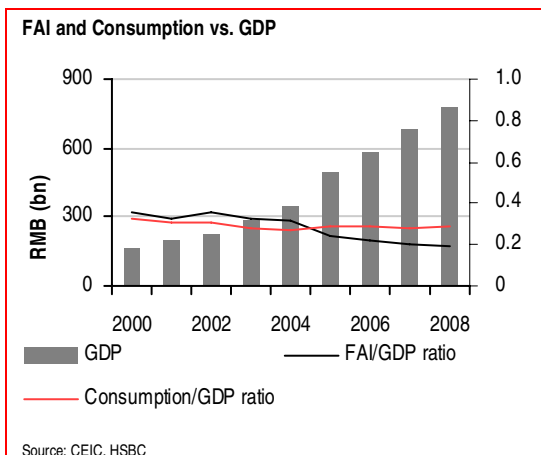
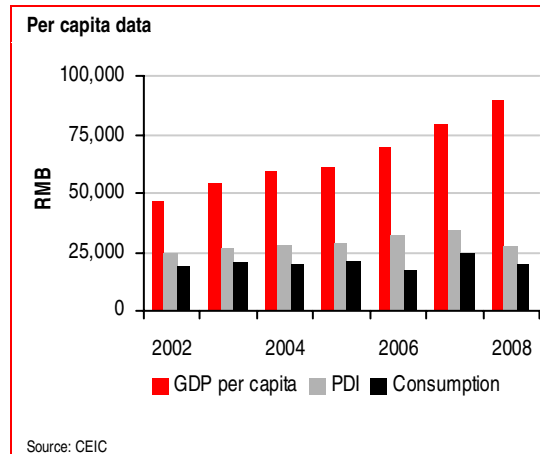
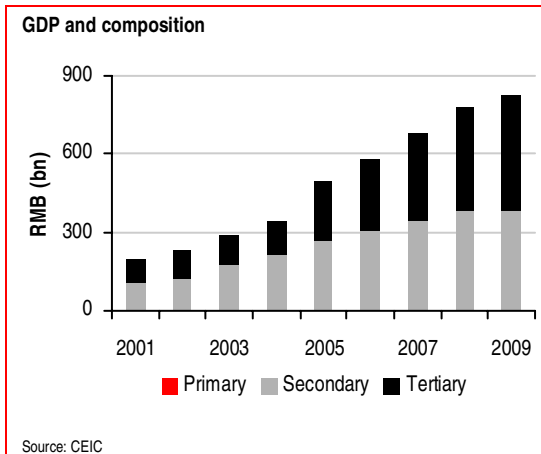
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Shenzhen (深圳)

Province	Shenzhen	Population (2008 m)	8.9	Land area (sq km)	1,953	GDP (2009 RMBbn)	820
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- ▶ Shenzhen was China's first special economic zone and reflects the success of China's economic reform since 1979. Located to the north of Hong Kong, Shenzhen grew from a small town to the fourth largest city in China within 30 years.
- ▶ Shenzhen is China's top-ranked manufacturing base for IT products and home to two of the world's top telecom equipment providers, Huawei Technologies and ZTE Corporation.
- ▶ Shenzhen has also become a leading city for financial services, real estate development, automobile manufacturing and internet services, all with world-class companies founded only a few years ago.
- ▶ Shenzhen has China's second largest port (behind Shanghai) by annual container throughput. It has been by far the largest export city in China for more than a decade.
- ▶ Shenzhen is ranked second in PDI (behind Shanghai) and in per capita retail consumption (behind Guangzhou). Its average property price is also one of the highest in the country.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Huawei Technologies Co. Ltd.	华为技术有限公司	Information Technology	149		#37 in China 500
Ping An Insurance (Group) Company Of China, Ltd.	中国平安保险 (集团) 股份有限公司	Financials	148	A share: 601318 H share: 2318	#38 in China 500
ZTE Corporation	中兴通讯股份有限公司	Information Technology	60	A share: 000063 H share: 763	#94 in China 500
China Merchants Bank	招商银行股份有限公司	Financials	51	A share: 600036 H share: 3968	#119 in China 500
China Vanke Co., Ltd.	万科企业股份有限公司	Financials	49	A share: 000002, 200002	#129 in China 500
BYD Companies Ltd	比亚迪股份有限公司	Consumer Discretionary	40	H share: 1211, 285	#10 in Private 500
Amer International Group Company Limited	正威国际集团有限公司	Industrials	32		#196 in China 500
OCT Enterprises Co.	华侨城集团公司	Industrials	24	A share: 000069, 000016 H share: 3366	#251 in China 500
China International Marine Containers (Group) Ltd	中国国际海运集装箱 (集团) 股份有限公司	Industrials	20	A share: 000039, 200039	#292 in China 500
China Guangdong Nuclear Power Holding Co., Ltd	中国广东核电集团有限公司	Utilities	18		#324 in China 500
Shenzhen Telling Telecommunication Development Co., Ltd	深圳市天音通信发展有限公司	Information Technology	17	A share: 000829	#346 in China 500, #56 in Private 500
Shenzhen Zhongjin Lingnan Nonfemet Co., Ltd	深圳市中金岭南有色金属股份有限公司	Materials	13	A share: 000060	#428 in China 500
Shenzhen Huaqiang Holdings Ltd	深圳华强集团有限公司	Information Technology	12	A share: 000062	#450 in China 500
Shenzhen Energy Corporation	深圳能源集团股份有限公司	Utilities	11	A share: 000027	#491 in China 500
Shenzhen Neptunus Group Co, Ltd	深圳海王集团股份有限公司	Health Care	11	A share: 000078 H share: 8329 US: NPD	#115 in Private 500

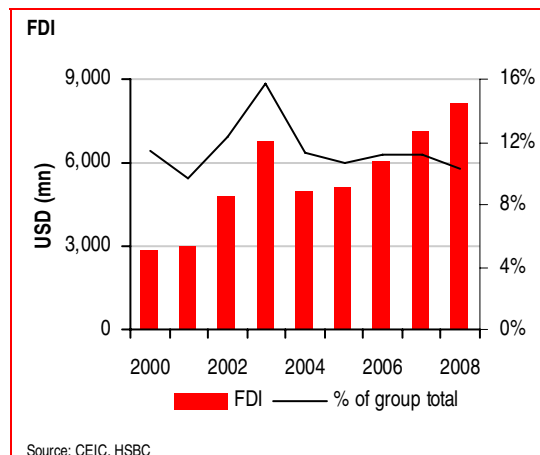
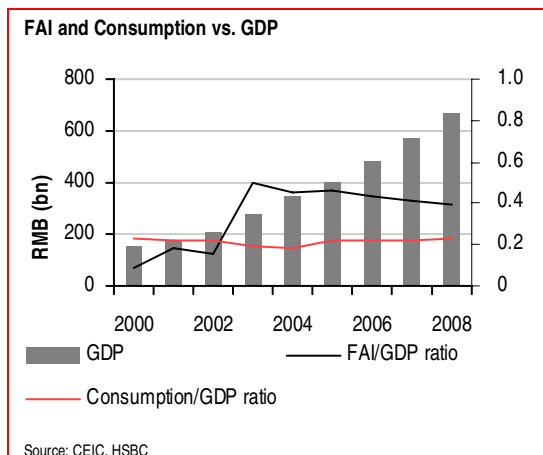
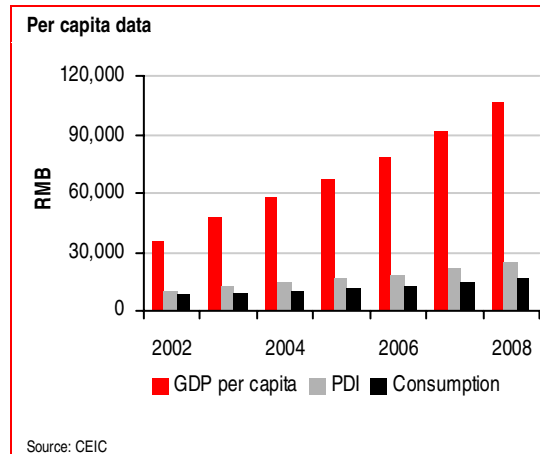
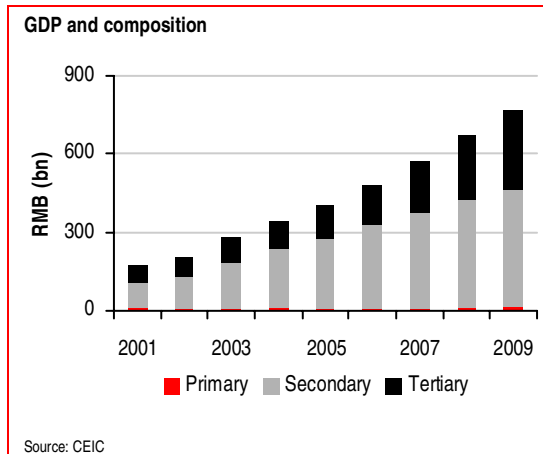
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Suzhou (苏州)

Province	Jiangsu	Population (2008 m)	6.3	Land area (sq km)	8,488	GDP (2009 RMBbn)	774
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- ▶ Suzhou's per capita GDP passed RMB100,000 in 2008, a first for a major Chinese city. All 5 of Suzhou's county-level cities are ranked in the country's top 10 in a pool of more than 2,000. Kunshan, one of these cities, manufactured half of the world's 170m plus notebook PCs in 2009.
- ▶ Suzhou's major industries include iron and steel, IT and electronic equipment manufacturing and textile products. Most of the largest companies in the city were created by private entrepreneurs. Suzhou is home to 27 listed companies, indicative of its pro-business environment.
- ▶ Suzhou is within 1-2 hour driving distance of Shanghai and three other rich cities. High-speed railway will cut commuting time between Suzhou and Shanghai to about 30 minutes. The two cities will be further integrated by a light rail line linking the cities' subway systems.
- ▶ Dubbed as "heaven on earth", Suzhou is also a popular tourism destination for its ancient gardens. It is one of only two cities (Lijiang is the other one) in China that have strict height limit for buildings.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Shagang Group	江苏沙钢集团有限公司	Materials	146		#40 in China 500, #1 in Private 500
Jiangsu Yonggang Group Co., Ltd	江苏永钢集团有限公司	Materials	28		#21 in Private 500
Hengli Group	恒力集团有限公司	Consumer discretionary	22		#275 in China 500, #38 in Private 500
Huafang Group Of China	华芳集团有限公司	Consumer discretionary	19	A share: 600273	#307 in China 500, #50 in Private 500
Guotai International Group	江苏国泰国际集团有限公司	Industrials	17	A share: 002091	#339 in China 500
Suzhou Chuangyuan Group Co., Ltd	苏州创元投资发展(集团)有限公司	Industrials	14	A share: 000551	#394 in China 500
Hengtong Group	亨通集团有限公司	Industrials	14	A share: 600487	#402 in China 500, #85 in Private 500
Fengli Group Co., Ltd	丰立集团有限公司	Industrials	13		#418 in China 500, #45 in Private 500
Shenghong Group	盛虹集团有限公司	Industrials	13		#445 in China 500, #86 in Private 500
Zhangjiagang Free Trade Zone Xinghengde Trade Co., Ltd	张家港保税区兴恒得贸易有限公司	Industrials	12		#459 in China 500, #91 in Private 500
Aoyang Group Co., Ltd	澳洋集团有限公司	Materials	12	A share: 002172, 002245	#479 in China 500, #97 in Private 500
Bosideng International Holding Limited	波司登股份有限公司	Consumer discretionary	11	H share: 3998	#499 in China 500, #103 in Private 500
Jiangsu Etern Company Ltd	永鼎集团有限公司	Industrials	10	A share: 600105	#126 in Private 500

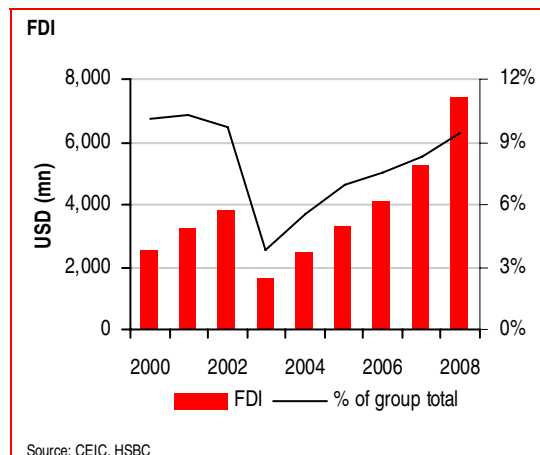
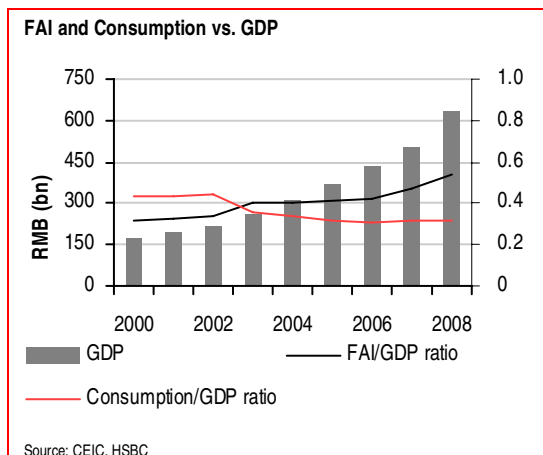
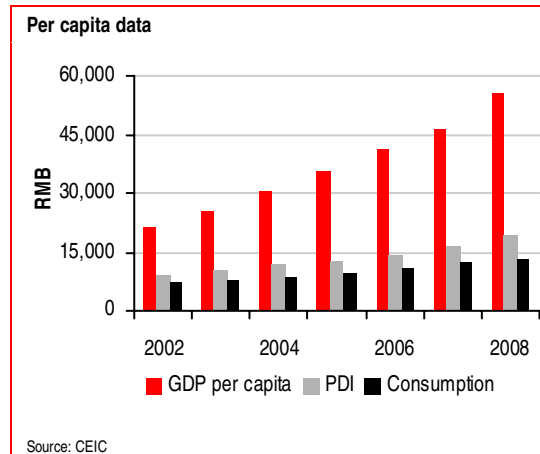
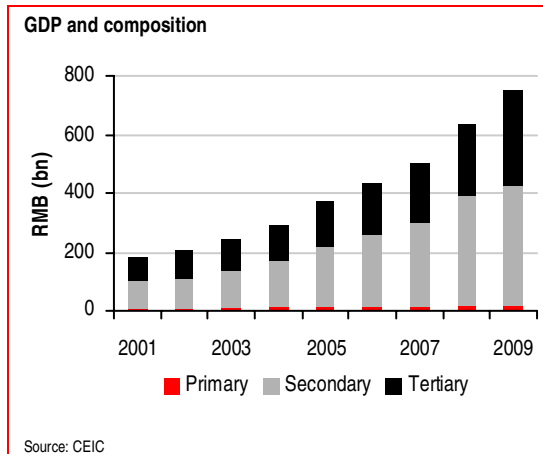
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Tianjin (天津)

Province	Tianjin	Population (2008 m)	11.8	Land area (sq km)	11,760	GDP (2009 RMBbn)	750
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- ▶ Tianjin, strategically located between Beijing and the Pacific, is the most important port in north China, with a freight throughput of 381m tonnes and a total container throughput of 8.7m TEUs.
- ▶ Tianjin is traditionally an important manufacturer of iron and steel materials, autos and ships. Its major industries have been extended to aeronautics and astronautics, petrochemicals, telecommunication, electronics and equipment manufacturing.
- ▶ Binhai New Area, in the eastern part of Tianjin, was set up by the State Council as a special economic zone and is the centre of economic development in northern China, serving as a financial and transportation hub. This area utilized most of the city's FDI, which is growing much faster than the national average.
- ▶ Tianjin had the highest growth rate in GDP, FAI and consumption in 2009 among all major cities.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company Name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Tianjin Materials and Equipment Group Corporation	天津市物资集团总公司	Materials	108		#53 in China 500
Tianjin Metallurgy Group Co., Ltd.	天津冶金集团有限公司	Materials	84		#69 in China 500, re-organized into new Bohai Group
Tianjin Zhonghuan Electronics & Information (Group) Co., Ltd.	天津中环电子信息集团有限公司	Industrials	82	A share: 002129, 002134	#70 in China 500
Tianjin Automobile Industrial (Group) Co., Ltd.	天津汽车工业(集团)有限公司	Consumer discretionary	77		#77 in China 500
Tianjin Pipe (Group) Corporation	天津钢管集团股份有限公司	Materials	61		#92 in China 500, re-organized into new Bohai Group
Tianjin Tiantie Metallurgy Group	天津天铁冶金集团有限公司	Materials	61		#93 in China 500, re-organized into new Bohai Group
Tianjin Iron & Steel Group Co., Ltd.	天津钢铁集团有限公司	Materials	55		#107 in China 500, re-organized into new Bohai Group
Tianjin Bohai Chemical Industry Group Corporation	天津渤海化工集团公司	Materials	40	A share: 600874 H share: 1065	#156 in China 500
Tianjin Rockcheck Steel Group Co., Ltd.	天津荣程联合钢铁集团有限公司	Materials	34		#190 in China 500, #16 in Private 500
Tianjin Yiqing Group (Holding Share) Co., Ltd.	天津市一轻集团(控股)有限公司	Consumer discretionary	32		#197 in China 500
Tianjin Machinery & Electric Industry Holding Group Co.	天津百利机电控股集团有限公司	Industrials	30	A share: 600468	#206 in China 500
Tiens Group Co. Ltd.	天津天狮集团有限公司	Consumer discretionary	28	US: TBV	#222 in China 500, #22 in Private 500
Tianjin Yishang Group Co., Ltd.	天津一商集团有限公司	Consumer discretionary	22		#277 in China 500
Youfa Group	天津友发钢管集团有限公司	Industrials	19		#305 in China 500
Tianjin Second Light Industry Group Holding Co., Ltd.	天津二轻集团(控股)有限公司	Industrials	17		#340 in China 500
Tianjin Pharmaceutical Holdings Ltd.	天津市医药集团有限公司	Health Care	16	A share: 600329, 002393	#370 in China 500
Tianjin Jinneng Investment Company	天津市津能投资公司	Utilities	15		#390 in China 500
Tianjin Urban Construction Group	天津城建集团有限公司	Industrials	14		#411 in China 500
Tianjin Port (Group) Co., Ltd.	天津港(集团)有限公司	Industrials	13	A share: 600717	#421 in China 500
Tianjin Construction Engineering Co., Ltd.	天津市建工集团(控股)有限公司	Industrials	12		#466 in China 500
Tianjin Textile Group (Holding) Co., Ltd.	天津纺织集团(控股)有限公司	Consumer staples	12		#471 in China 500

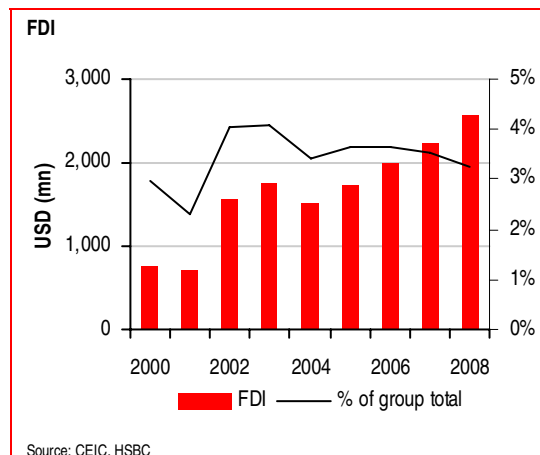
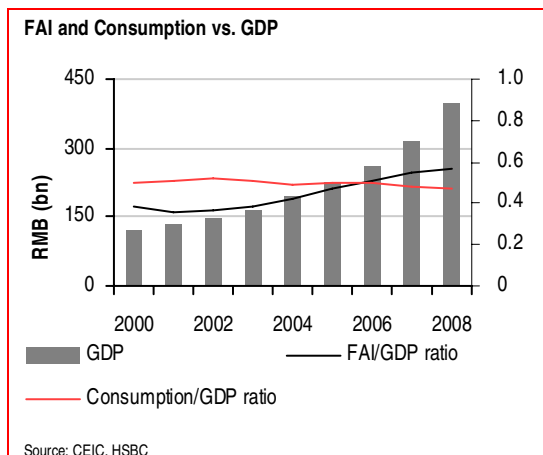
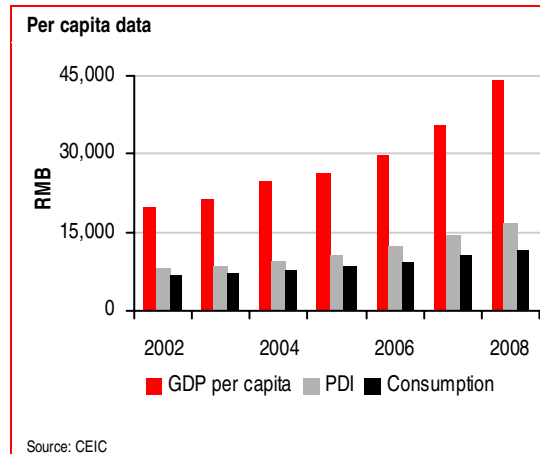
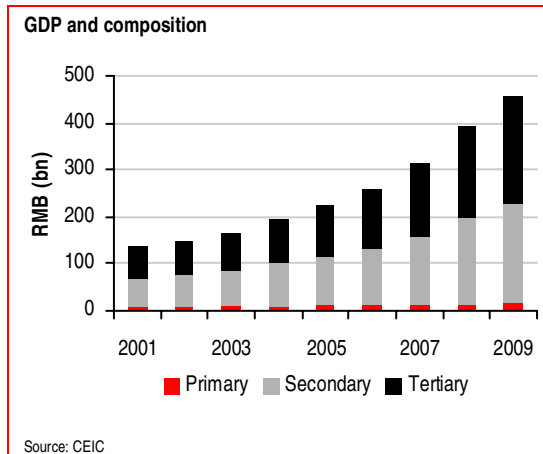
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Wuhan (武汉)

Province	Hubei	Population (2008 m)	8.3	Land area (sq km)	8,494	GDP (2009 RMBbn)	456
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- ▶ Wuhan is the capital of Hubei province and the largest city in the Central Region. With four major railways and two high speed railway links (under construction), Wuhan is also a regional transportation hub, attracting more than USD2.9bn in FDI in 2009.
- ▶ The city is an important industrial manufacturing centre in China with iron and steel and automobile as its leading industries, followed by tobacco, pharmaceuticals and electronics.
- ▶ With its large population and convenient location, Wuhan is the shopping centre for central China. Retail consumption has been a major driver for its economy as retail consumption amounted to 47% of its GDP in 2008, the second highest in comparable groups.
- ▶ The city has abundant fresh water which covers more than a quarter of Wuhan's area. The Yangtze River runs through the city and there are over 200 lakes.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Dongfeng Motor Corporation	东风汽车公司	Consumer discretionary	269	A share: 600006	#13 in China 500
Wuhan Iron and Steel (Group) Corporation	武汉钢铁（集团）公司	Materials	140	A share: 600005	#42 in China 500
Wuhan Railway Administration Bureau	武汉铁路局	Industrials	32		#199 in China 500
China Tobacco Hubei Industrial Ltd	湖北中烟工业有限责任公司	Consumer staples	30		#212 in China 500
China Gezhouba (Group) Co.	中国葛洲坝集团公司	Industrials	26.9	A share: 600068	#230 in China 500
Wuhan Department Store Group Co., Ltd.	武汉商联（集团）股份有限公司	Consumer discretionary	21	A share: 000501, 000759, 000785	#278 in China 500
Jointown Pharmaceutical Group	九州通医药集团股份有限公司	Health care	19	A share: 600998	#313 in China 500, #51 in Private 500

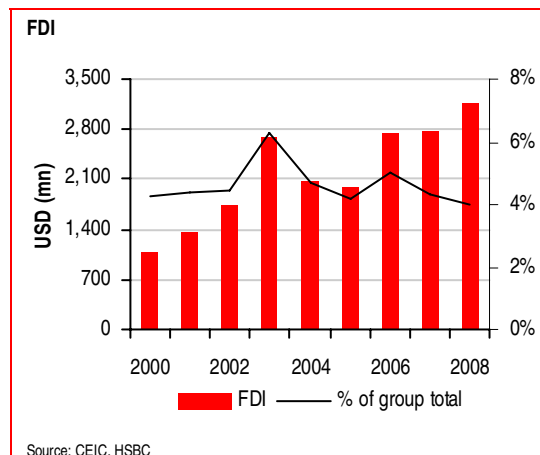
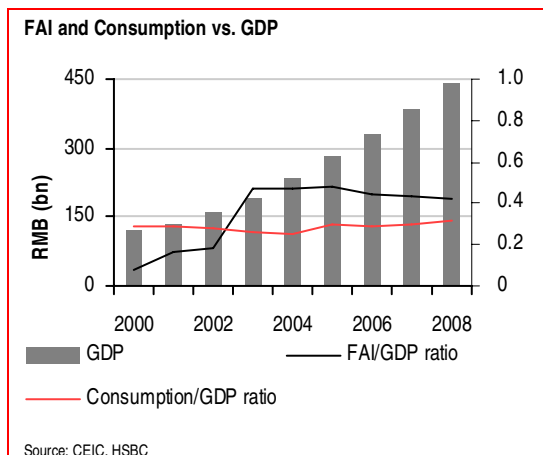
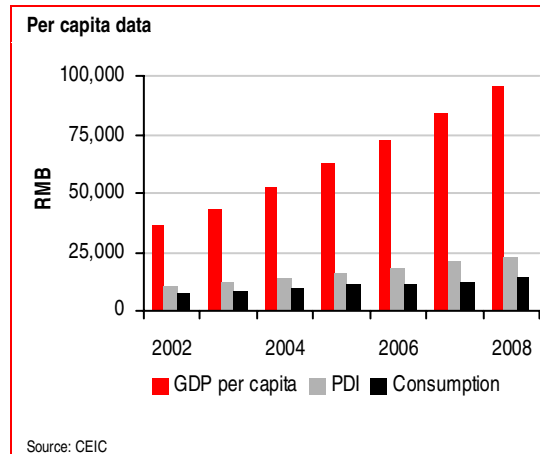
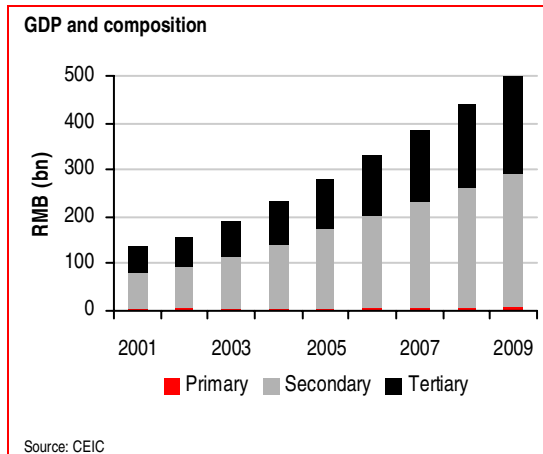
Note: China 500 – China Top 500 Companies; Private 500 – China Top 500 Private Enterprises/Non-SOE
Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Wuxi (无锡)

Province	Jiangsu	Population (2008 m)	4.6	Land area (sq km)	4,788	GDP (2009 RMBbn)	499
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- ▶ Located in China's most prosperous area and less than 2-hours driving distance of Shanghai, Suzhou, Hangzhou and Nanjing, Wuxi is the second largest economy in Jiangsu province and ranked 9th in GDP amongst all cities in China.
- ▶ Wuxi has traditionally been a key light industry centre and leads the nation in textiles, apparel, electronics and other consumer products. The city also has sizeable heavy industry in iron and steel and lately became a leading player in solar energy equipment (e.g., Suntech Power Holdings), IT and high tech industry.
- ▶ Jiangyin of Wuxi is ranked number one amongst China's 2,000 plus county-level cities, with about RMB171bn GDP in 2009 and it is home to 9 of the China's top 500 companies.
- ▶ Wuxi is also home to thriving private enterprises: 12 out of 16 companies that have revenues over RMB10bn in Wuxi are owned by entrepreneurs.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Huaxi Group	江苏华西集团公司	Industrials	44	A share: 000936	#138 in China 500
Wuxi Industry Development Group Co., Ltd	无锡产业发展集团有限公司	Industrials	36	A share: 000581, 600667	#175 in China 500
Jiangsu Xing Chang Jiang Group	江苏新长江实业集团有限公司	Materials	28		#223 in China 500, #23 in Private 500
Jiangsu Sunshine Group	江苏阳光集团有限公司	Materials	26	A share: 600020	#236 in China 500, #27 in Private 500
Jiangsu Sanfangxiang Group Co., Ltd.	江苏三房巷集团有限公司	Consumer discretionary	23	A share: 600370	#264 in China 500, #63 in Private 500
Hongdou Group Co., Ltd	红豆集团有限公司	Consumer discretionary	22	A share: 600400	#265 in China 500, #33 in Private 500
Jiangyin Chengxing Industrial Group Co., Ltd,	江阴澄星实业集团有限公司	Materials	22	A share: 600078	#276 in China 500, #37 in Private 500
Jiangyin Xingcheng Special Steel Co, Ltd	江阴兴澄特种钢铁有限公司	Materials	21		#39 in Private 500
Heilan Group	海澜集团有限公司	Consumer discretionary	21		#289 in China 500, #43 in Private 500
Xicheng Sanlin Holding Group Co., Ltd	江苏西城三联控股集团有限公司	Materials	19		#315 in China 500, #52 in Private 500
Suntech Power Holdings Co., Ltd.	尚德电力控股有限公司	Industrials	18	US: STP	#331 in China 500
Fasten Group Co.	江苏法尔胜泓昇集团有限公司	Materials	16	A share: 000890	#368 in China 500, #64 in Private 500
Jiangsu Shuangliang Group	江苏双良集团有限公司	Industrials	14	A share: 600481, 000584	#397 in China 500, #133 in Private 500
Jiangsu Jinhui Group	江苏金辉集团公司	Materials	14		#412 in China 500
Jiangsu Sanmu Group	江苏三木集团有限公司	Materials	11		#492 in China 500, #101 in Private 500
Far East Holding Group Co., Ltd	远东控股集团有限公司	Industrials	11	A share: 600869	#495 in China 500, #102 in Private 500

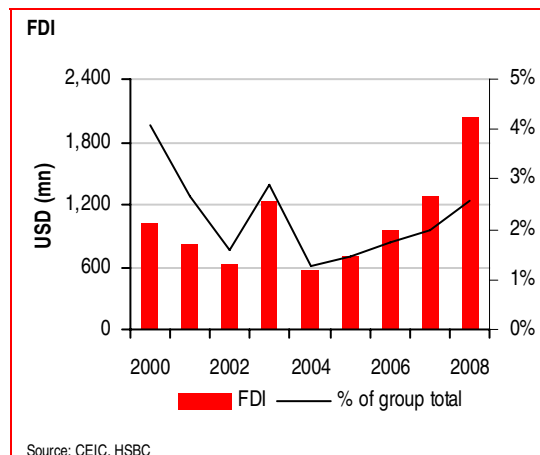
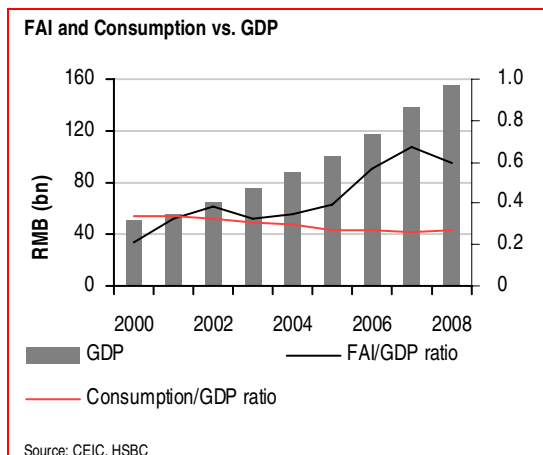
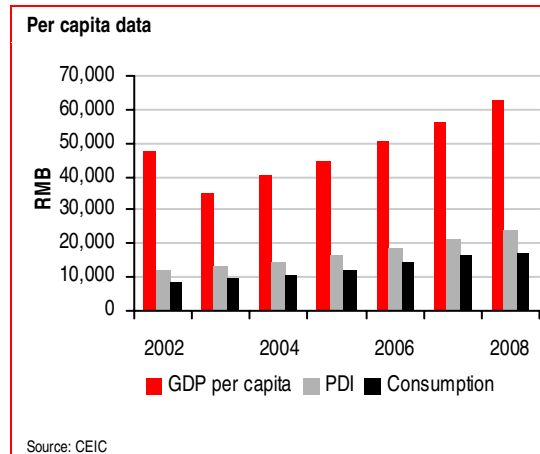
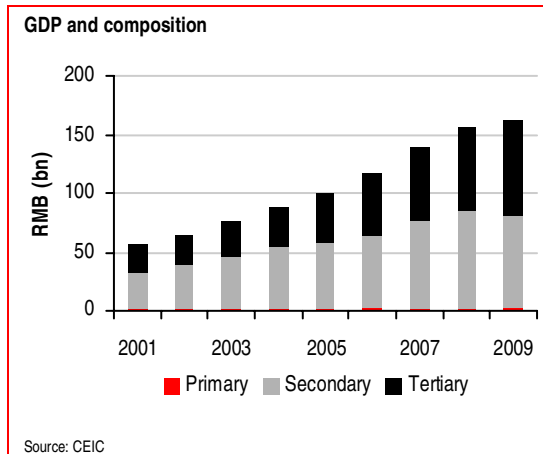
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Xiamen (厦门)

Province	Fujian	Population (2008 m)	1.7	Land area (sq km)	1,573	GDP (2009 RMBbn)	162
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- ▶ Xiamen is the smallest economy by population and GDP in the selected city group. Its deputy-ministerial city ranking is largely attributable to its strategic location at the western side of the Taiwan Strait. However, the city's strategic importance has diminished somewhat thanks to improving cross-Strait relation between mainland China and Taiwan over the last decade.
- ▶ Xiamen was among the first batch of four coastal cities (Shenzhen, Zhuhai and Shantou, all in Guangdong province) to open to foreign businesses in 1979. Subsequently, the city has become highly dependent on foreign trade and investment and has a large port that still ranks in the top 10 in China.
- ▶ With rising competition from other areas that can be accessed directly by Taiwan investors, the city is being forced to depend less on trade and has been building up its chemical materials, electronics and equipment manufacturing industry. Tourism is another industry Xiamen is focusing on, with total revenue of RMB33bn, or 20% of its 2009 GDP, leveraging its natural beauty and rich history.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

Company Name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Xiamen C&D Corporation Limited	厦门建发集团有限公司	Industrials	42	A share: 600153	#147 in China 500
Xiamen ITG Group Corp., Ltd	厦门国贸集团股份有限公司	Industrials	31	A share: 600755	#200 in China 500
Fujian Sangang Group Co., Ltd	福建省三钢(集团)有限责任公司	Materials	19	A share: 002110	#321 in China 500
Xiamen Xiangyu Group Corporation	厦门象屿集团有限公司	Industrials	17		#344 in China 500
Xiamen King Long Motor Group Co., Ltd	厦门金龙汽车集团股份有限公司	Consumer Discretionary	13	A share: 600686	#417 in China 500

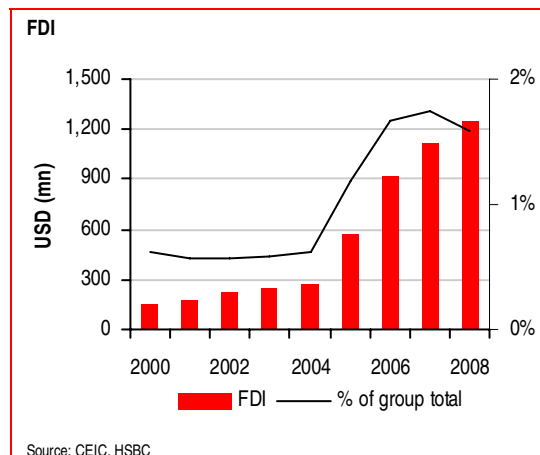
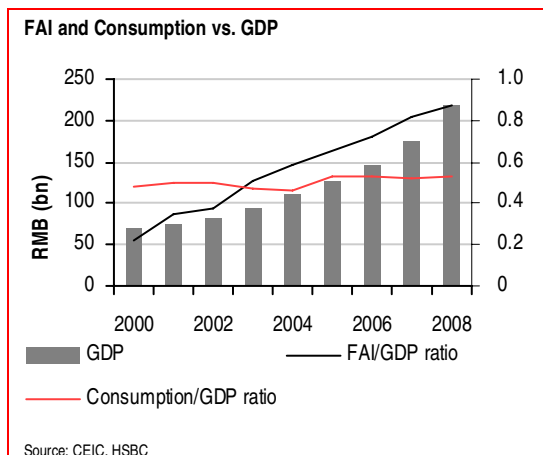
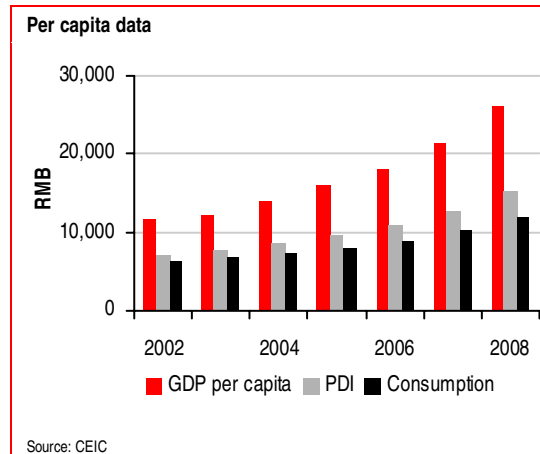
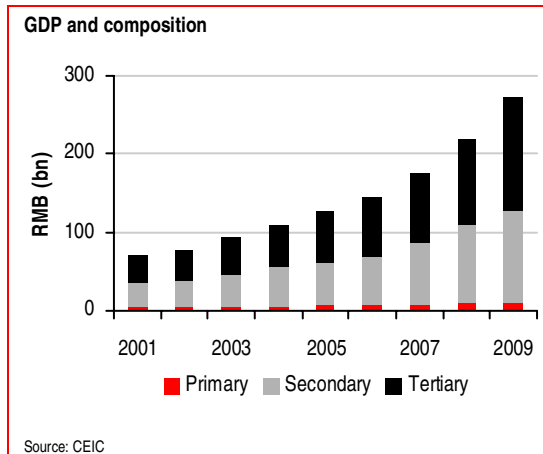
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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

Xi'an (西安)

Province	Shaanxi	Population (2008 m)	7.7	Land area (sq km)	10,108	GDP (2009 RMBbn)	272
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- ▶ As a capital city, Xi'an contributes one third of Shaanxi province's GDP, attracting USD12bn FDI. It's part of the West Triangle (with Chongqing and Chengdu) in the China Western Development.
- ▶ Xi'an leads software development and aerospace technology in the Western Region. Xi'an's economic development zone is home to the Region's high tech research and manufacturing that includes aircraft parts, military and electronic equipments, which are well supported by significant investment and the presence of a large number of the best universities in the region.
- ▶ Heavy FAI (with a FAI to GDP ratio of 87% in 2008, the highest in China's major cities) in its economic development zones is the main driver for Xi'an's recent GDP growth.
- ▶ Xi'an is the entry point for the Western Region (especially Sichuan, Chongqing) from most areas in northern China (including Beijing, Tianjin and another eight provinces). The high-speed railway under construction will connect Xi'an with Chengdu, further strengthening Xi'an's prospects.

Selected key data



Leading companies (with 2009 revenue above RMB10bn)

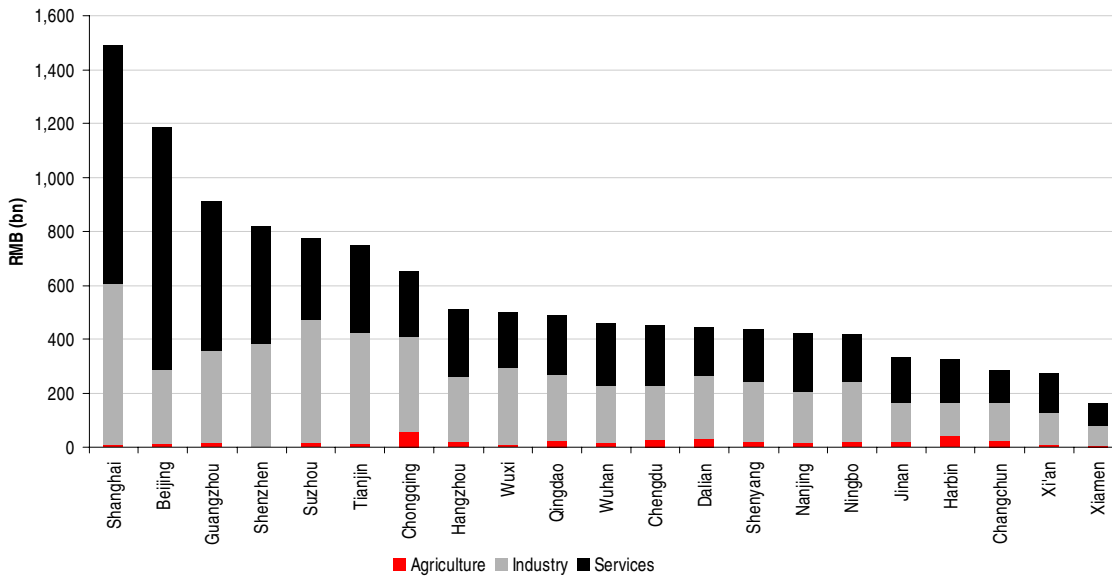
Company name	公司	Industry	Revenue (RMBbn)	Listed entities	Notes
Shaanxi Coal and Chemical Industry Group Co., Ltd	陕西煤业化工集团有限责任公司	Energy	32		#195 in China 500
Shaanxi Non-Ferrous Metals Holding Group Co., Ltd.	陕西有色金属控股集团有限责任公司	Materials	32	A share: 601958, 600456	#198 in China 500
Xi'an Railway Administration Bureau	西安铁路局	Industrials	29		#216 in China 500
Shaanxi Automobile Group Co., Ltd	陕西汽车集团有限责任公司	Industrials	22		#267 in China 500
Shaanxi Construction Engineering Group Corporation	陕西建工集团总公司	Industrials	17		#350 in China 500
China XD Group	中国西电集团公司	Utilities	16	A share: 601179	#365 in China 500

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Source: HSBC, China Enterprise Confederation/China Enterprise Directors Association, All-China Federation of Industry & Commerce

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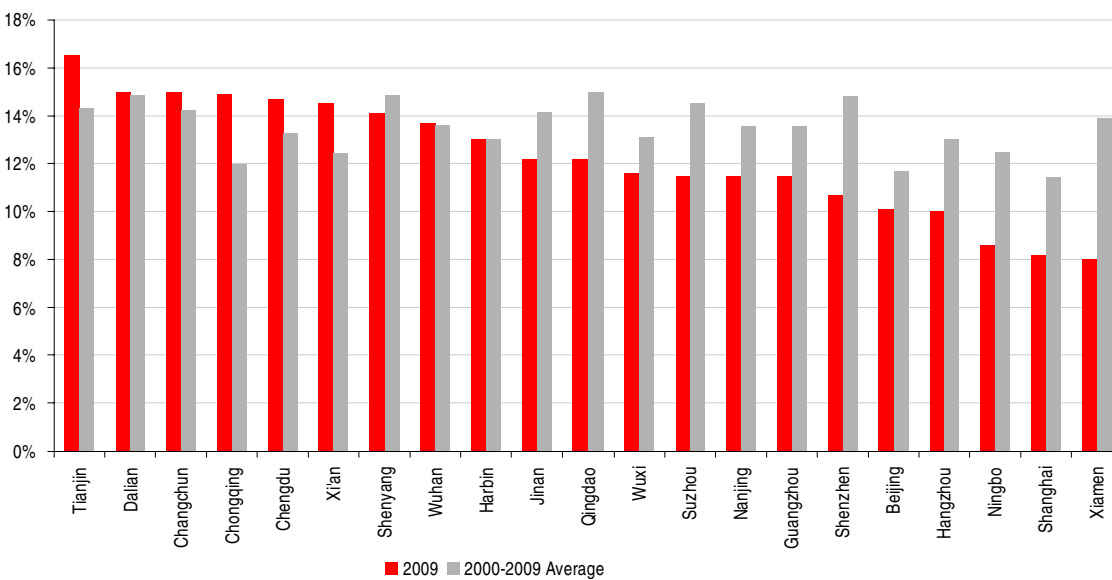
Major Cities Comparison

City GDP and sector breakdown (2009)



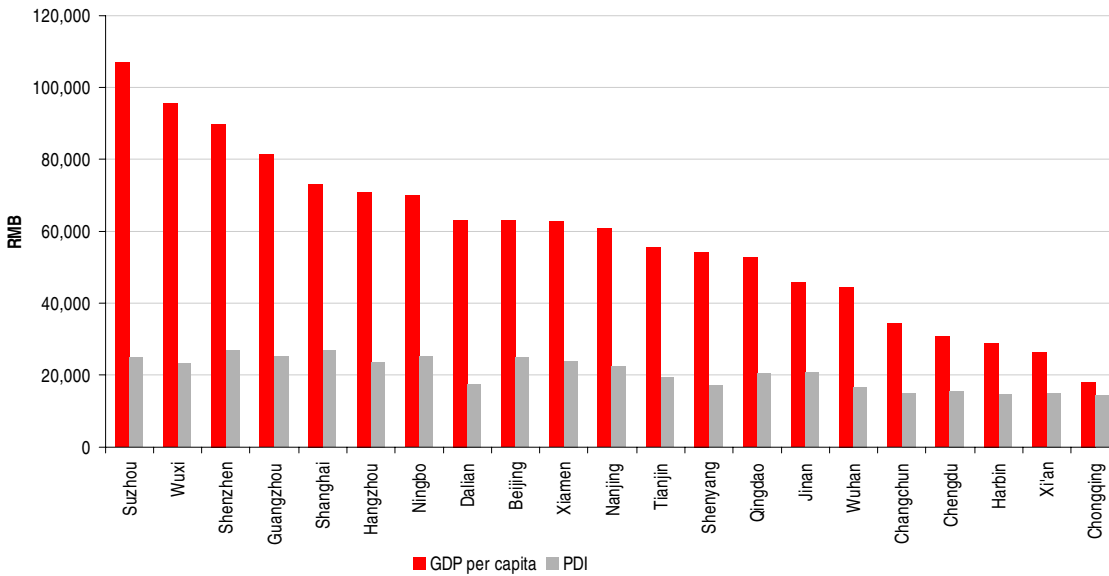
Source: CEIC

Inland cities led GDP growth momentum over coastal ones: 2009 vs. last decade average



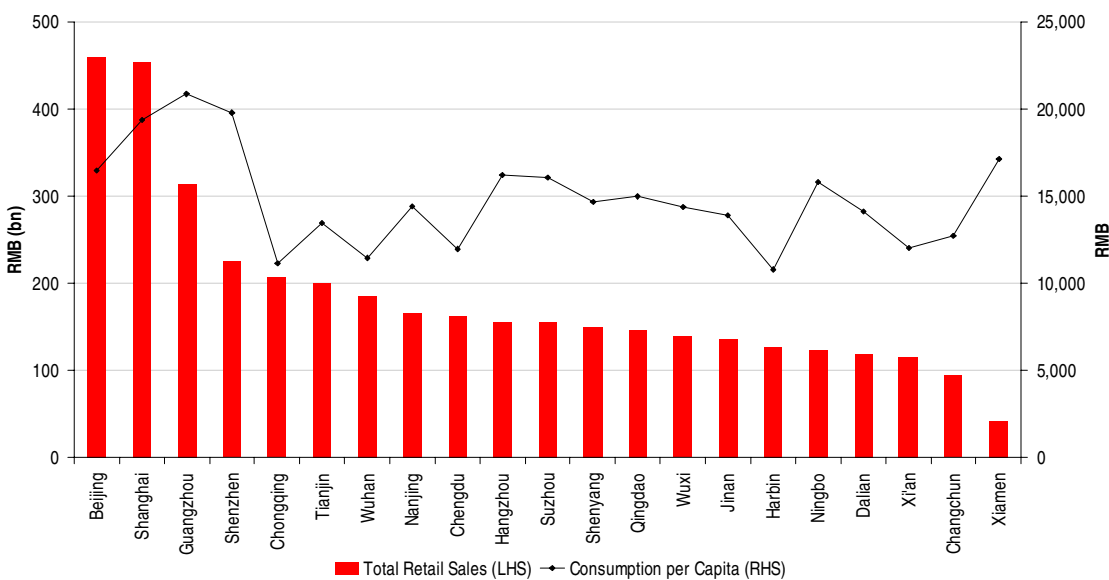
Source: CEIC, HSBC

Personal disposable income (PDI) accounts for a fraction of GDP per capita across all cities (2008)



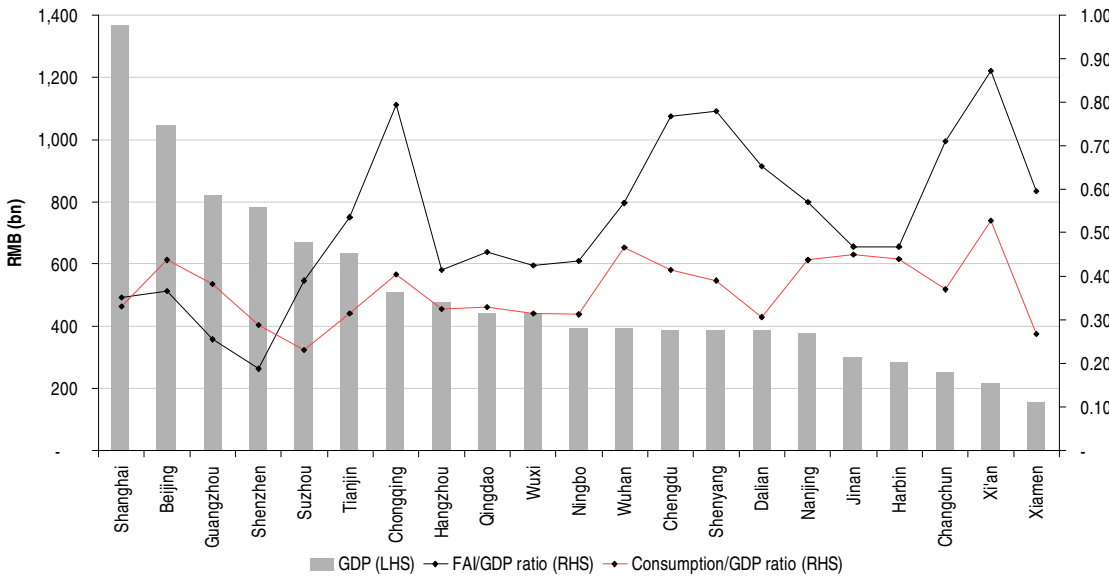
Source: CEIC, HSBC

Total retail sales and per capita consumption by city (2009)



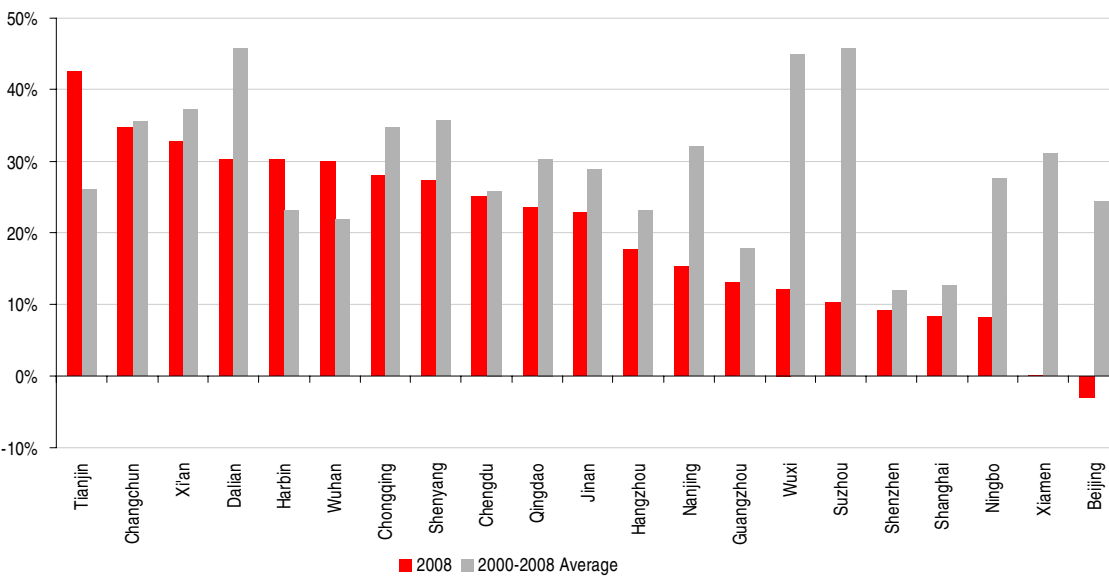
Source: CEIC, HSBC

FAI, consumption vs. GDP (2008): Consumption share starts to exceed FAI share in well-developed cities



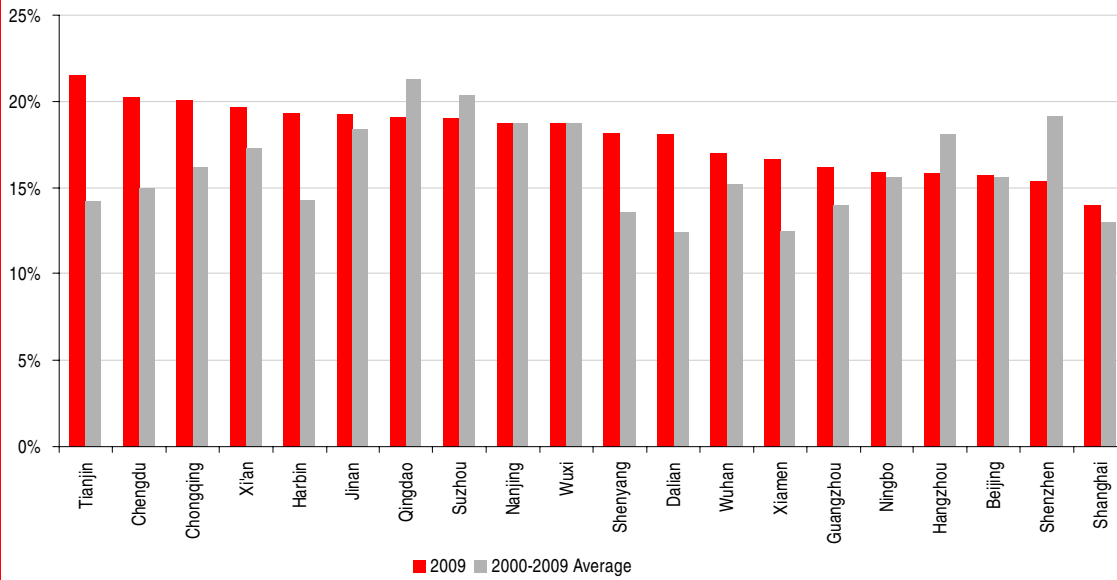
Source: CEIC, HSBC

FAI growth momentum (2008 vs. previous year average): historical FAI paid off for Suzhou and Wuxi where private business booms



Source: CEIC

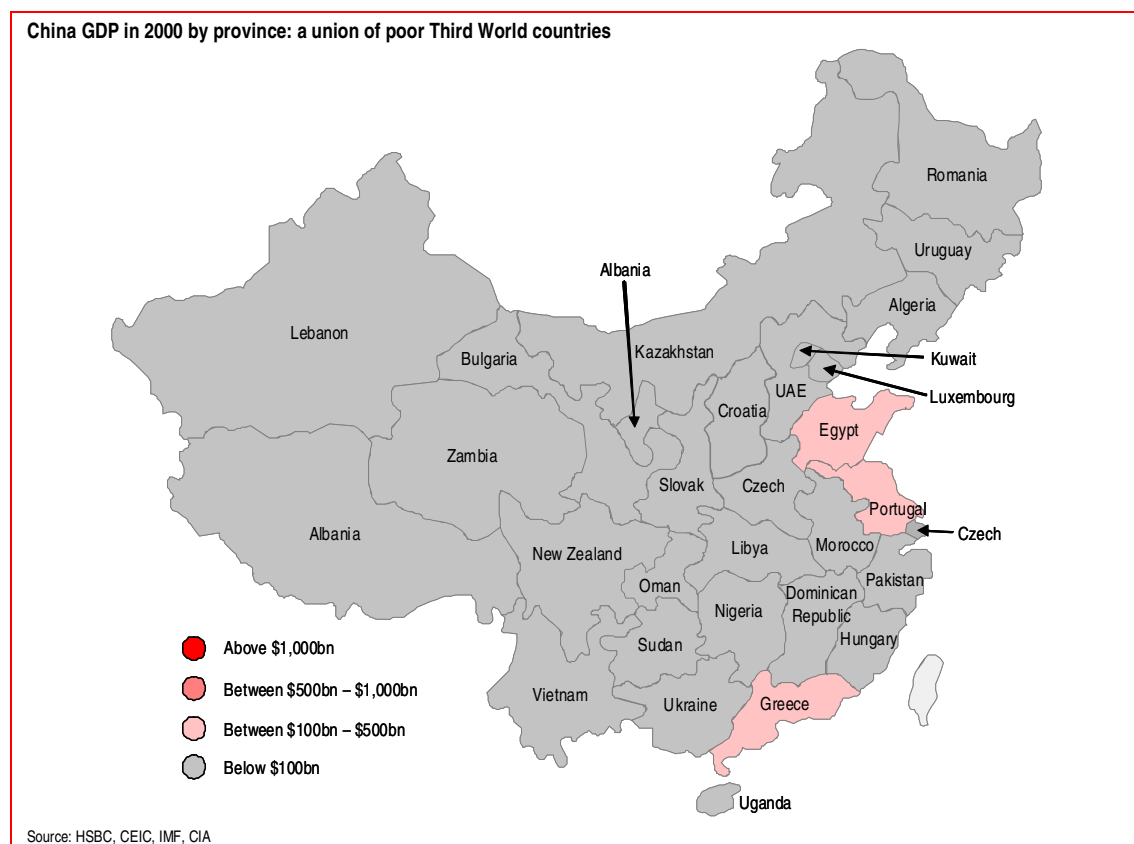
City consumption growth yet to break away from historical average since 2009



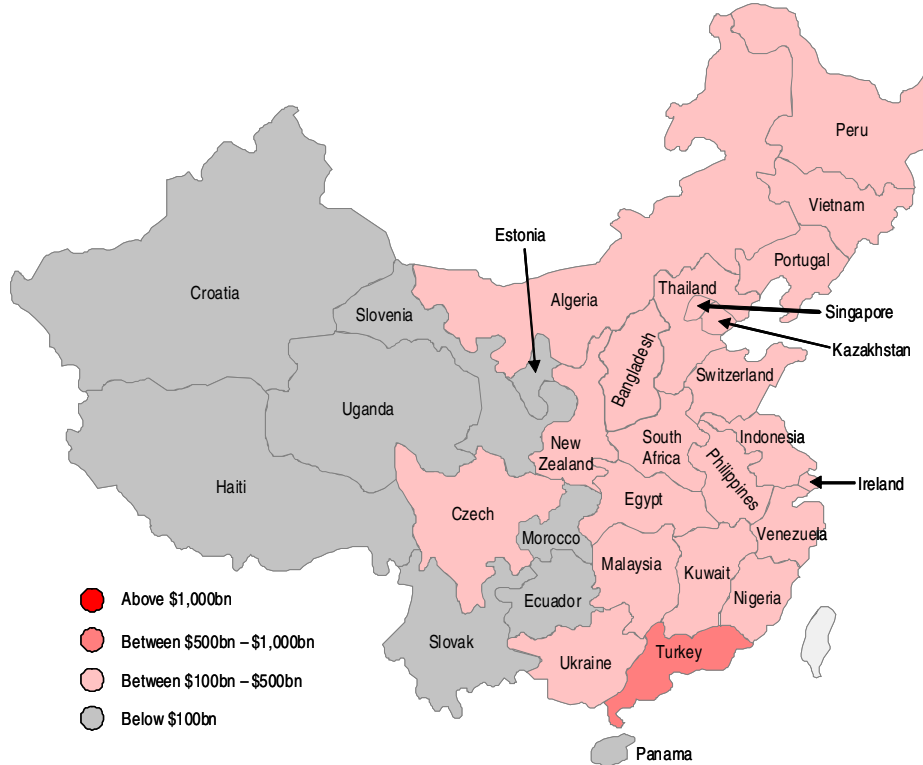
Note: Changchun's consumption data in 2009 has not been published
 Source: CEIC, HSBC

Appendix

A: China maps

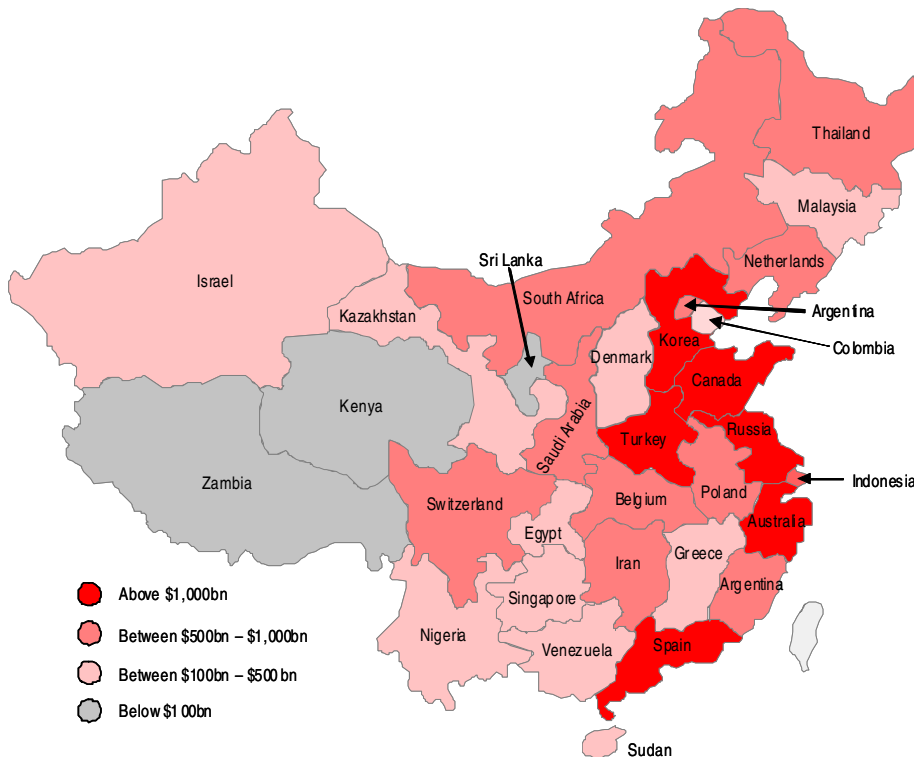


China GDP in 2009 by province: a union of leading developing countries



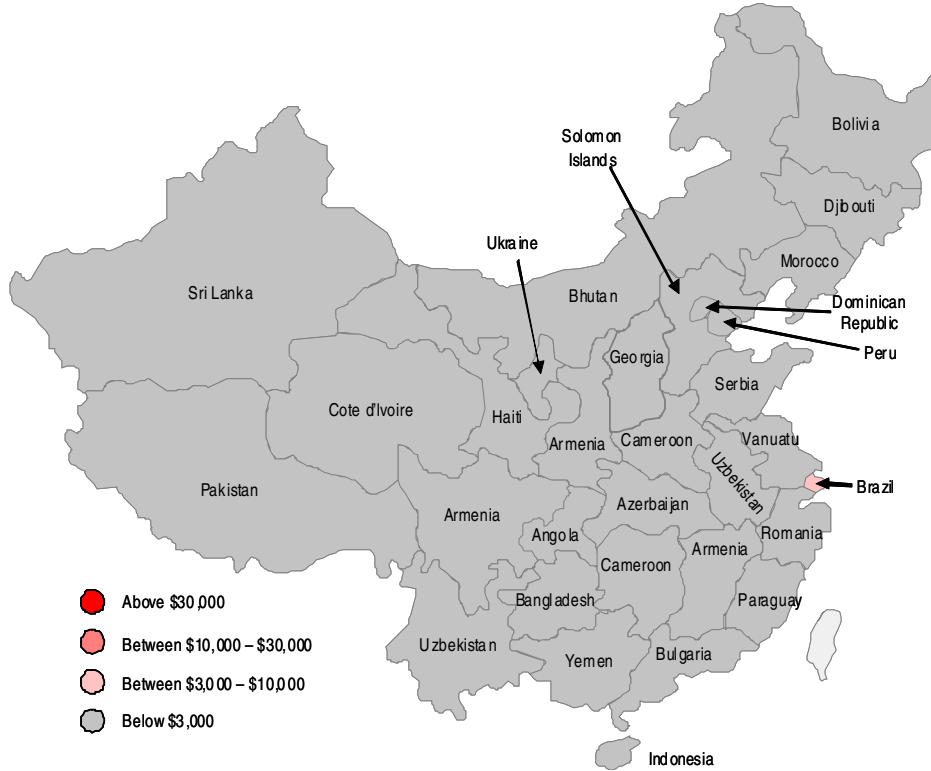
Source: HSBC, CEIC, IMF, CIA

China GDP in 2020 by province (projected): a union of second-tier developed + top-tier developing countries



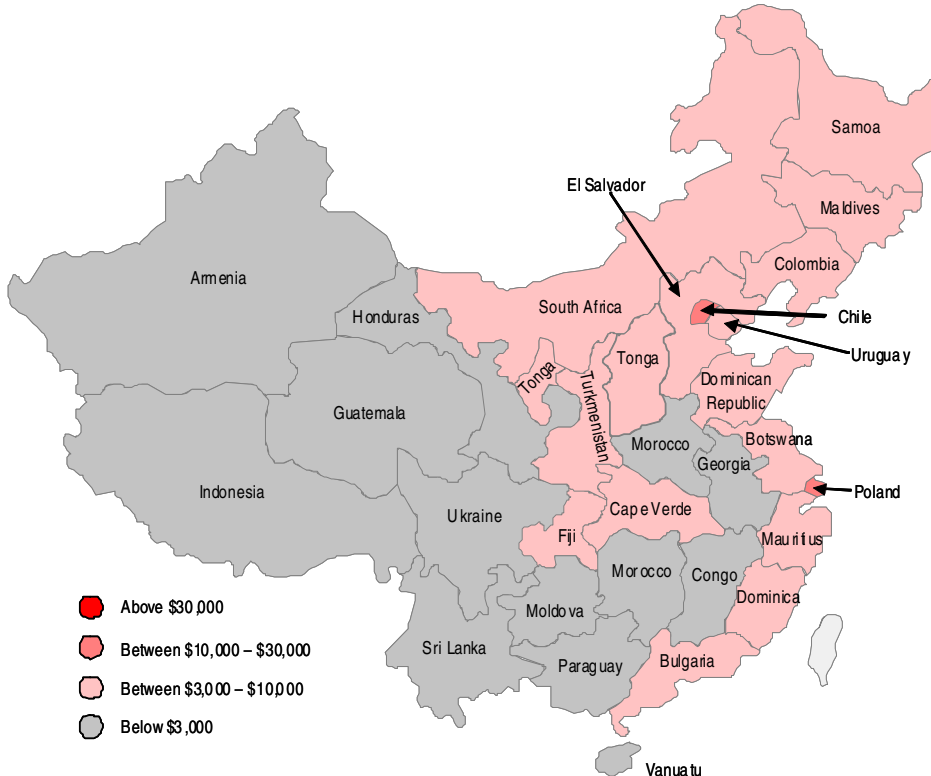
Source: HSBC, CEIC, IMF, CIA

China GDP per capita 2000 by province: all below USD3,000 per capita, except for Shanghai



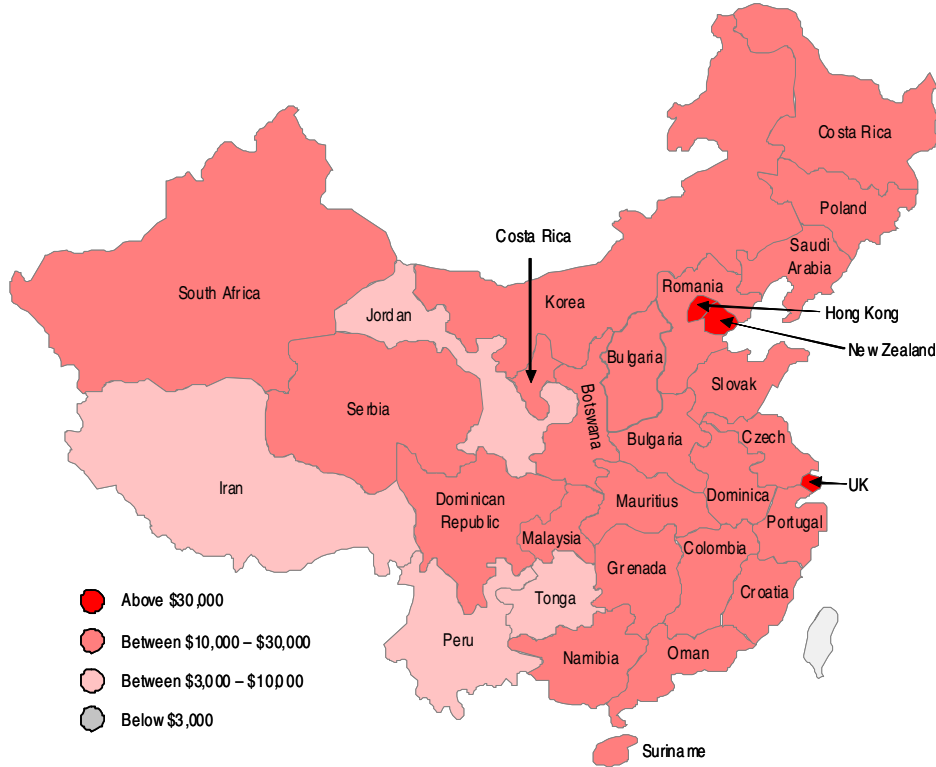
Source: HSBC, CEIC, IMF, CIA

GDP per capita 2009 by province: ranked 99 in the world, still behind 98-ranked Albania, despite 30 years of rapid growth



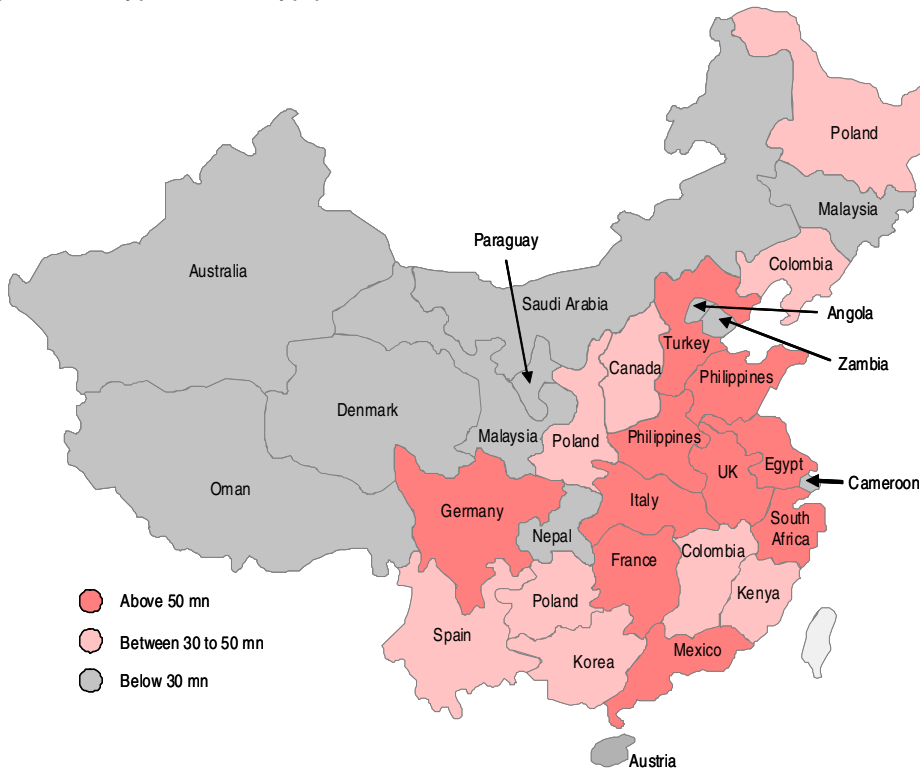
Source: HSBC, CEIC, IMF, CIA

China GDP per capita 2020 (projected) by province: some may join the likes of Hong Kong and UK



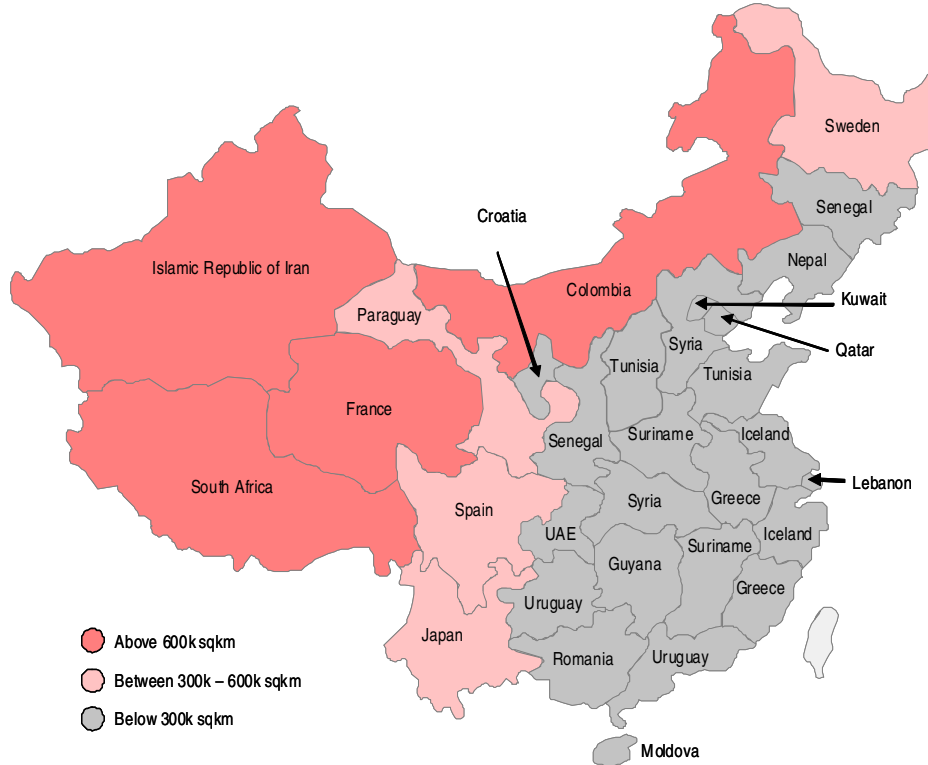
Source: HSBC, CEIC, IMF, CIA

China population 2009 by province: densely populated coastal areas



Source: HSBC, CEIC, IMF, CIA

China land area by province: a union of large countries



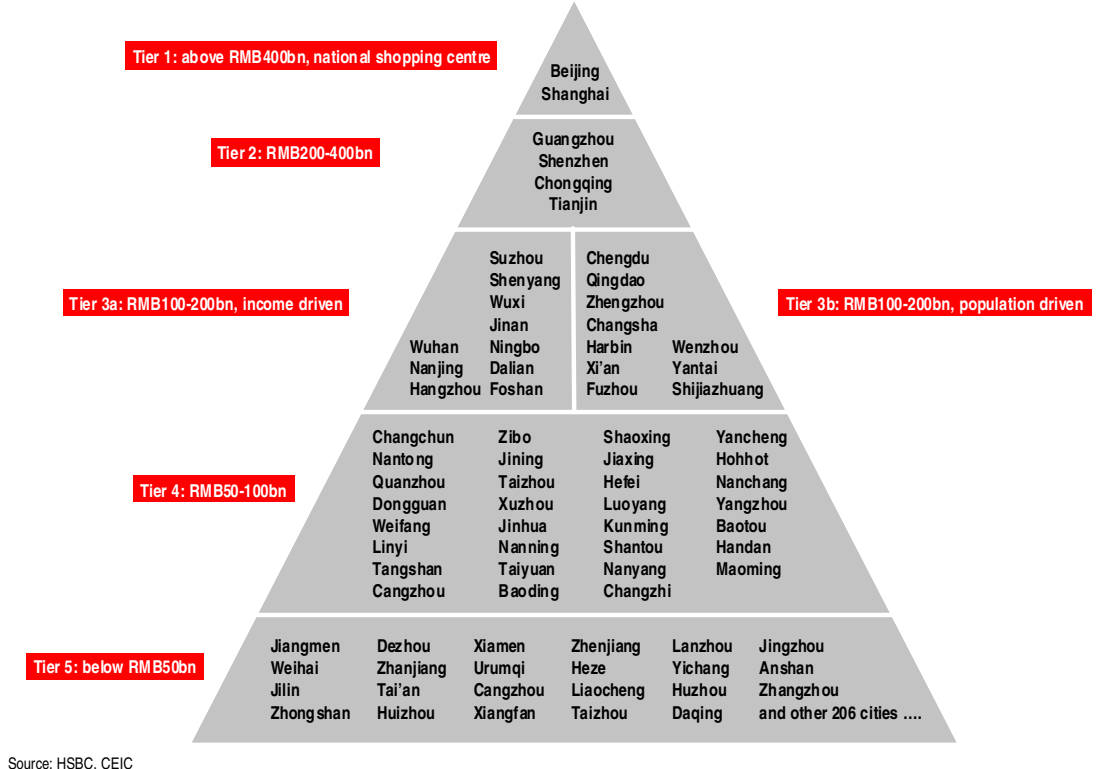
Source: HSBC, CEIC, IMF, CIA

City pyramid by population - 93 Chinese cities have a population larger than 5m, and 177 cities above 3m

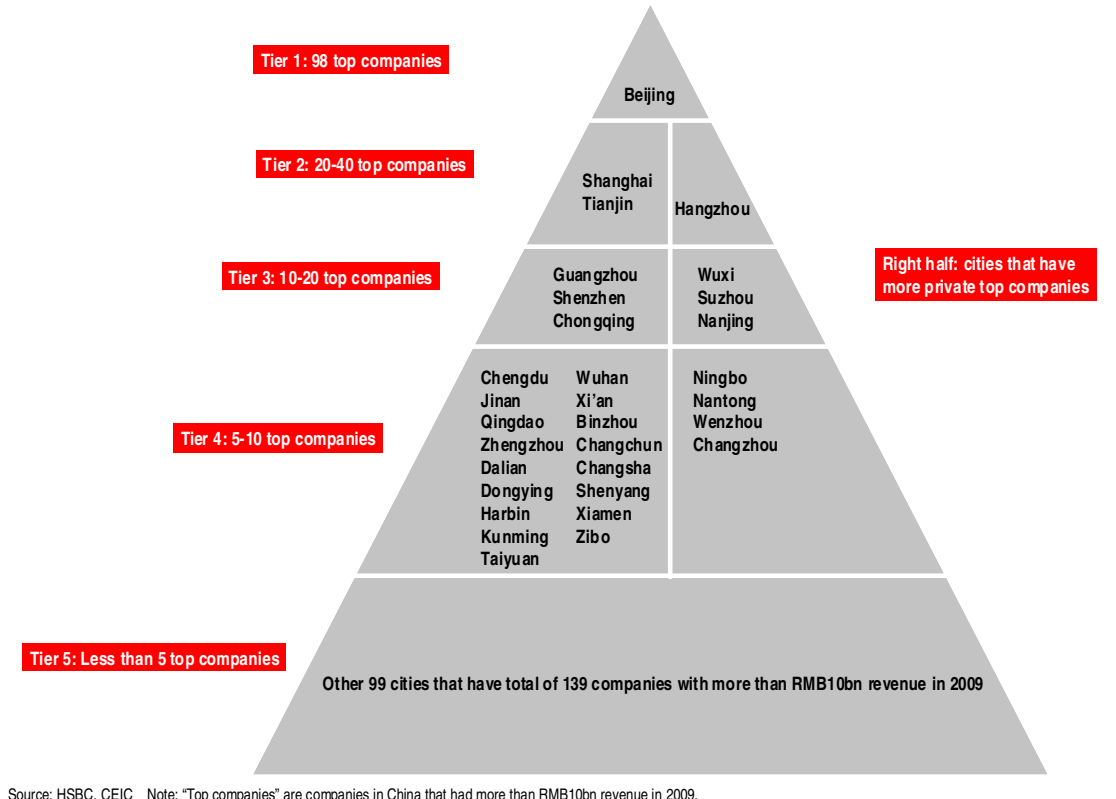


Source: HSBC, CEIC

City pyramid by retail consumption: decent retail sales, driven either by population or income



City pyramid by number of headquarters of top companies: it's not all about being in Beijing



B: Monthly minimum wage level by province

Provinces/ municipalities	2009 (RMB)	2010 (RMB)	Provinces/ municipalities	2009 (RMB)	2010 (RMB)
Eastern			Western		
Beijing	800	1,120	Chongqing	680	870
Fujian	750	900	Gansu	620	760
Guangdong	860	1,030	Guangxi	670	820
Hainan	630	830	Guizhou	650	830
Hebei	750	900	Inner Mongolia	680	900
Jiangsu	850	960	Ningxia	560	710
Shandong	760	920	Qinghai	600	770
Shanghai	960	1,120	Shaanxi	600	760
Tianjin	820	920	Sichuan	650	850
Zhejiang	960	1,100	Tibet	730	950
Central			Xinjiang	670	800
Anhui	600	720	Yunnan	680	830
Henan	600	800	NE		
Hubei	700	900	Heilongjiang	650	880
Hunan	665	850	Jilin	650	820
Jiangxi	580	720	Liaoning	700	900
Shanxi	720	850			

Source: HSBC

C: List of government-guided venture capital funds

Establishment	Fund name	Founder	Initial equity (RMBm)
2006.1	Shanghai Pudong New Area Venture Capital Guide Fund 上海浦东新区创业风险投资引导基金	Shanghai Pudong New Area government	1,000
2006.9	Beijing Haidian District Venture Capital Guide Fund 北京市海淀区创业投资引导基金	Beijing Haidian District government	500
2006.9	Suzhou Industrial Park Venture Capital Guide Fund 苏州工业园创业投资引导基金	Suzhou Ventures Group, China Development Bank	1,000
2007.12	Tianjin Binhai New Area Venture Capital Guide Fund 天津滨海新区创业投资引导基金	Tianjin Binhai New Area Administrative Committee, China Development Bank	2,000
2008.8	Chongqing Technology Venture Capital Guide Fund 重庆市科技创业风险投资引导基金	Chongqing government	1,000
2008.12	Shaanxi Venture Capital Guide Fund 陕西省创业投资引导基金	Shaanxi government, China Development Bank	1,000
2009.3	Zhejiang Venture Capital Guide Fund 浙江省创业风险投资引导基金	Zhejiang Financial Development Company	500
2009.6	Fujian Venture Capital Guide Fund 福建省创业投资引导基金	Fujian government	600
2009.7	Shandong Venture Capital Guide Fund 山东省创业投资引导基金	Shandong government	1,000
2009.8	Anhui Venture Capital Guide Fund 安徽省创业投资引导基金	Anhui government	1,000

Source: Zero2IPO, HSBC

D: Seismic shifts in China's local IPO markets

D1: Domestic investment bank IPO ranking by total amount (as of 29 October 2010)

Underwriter	机构	Market share (%)	Amount (RMBm)	Fees (%)	Issues	Rank (y-t-d)	Rank (2009)
China International Capital Corp	中金公司	12.1	52,271	1.86	5	1	1
CITIC Securities Co Ltd	中信证券	7.0	30,306	2.23	9	2	2
PingAn Securities Co Ltd	平安证券	6.9	29,940	5.68	33	3	6
Guosen Securities Co Ltd	国信证券	6.4	27,959	4.17	27	4	5
BOC International (China) Ltd	中银国际	5.8	24,950	2.11	5	5	n.a.
China Galaxy Securities Co Ltd	银河证券	5.5	23,852	1.49	3	6	20
Haitong Securities Co Ltd	海通证券	5.4	23,429	2.21	9	7	14
Guotai Junan Securities Co Ltd	国泰君安	5.3	23,008	1.59	4	8	n.a.
Huatai Securities Co Ltd	华泰证券	5.1	22,271	5.32	27	9	7
China Merchants Securities Co Ltd	招商证券	4.6	19,870	4.69	20	10	8
GF Securities	广发证券	3.3	14,451	3.40	17	11	12
SINOLINK Securities Co Ltd	国金证券	2.7	11,671	4.61	9	12	27
China Jianyin Investment Securities Co Ltd	中投证券	2.6	11,226	4.03	7	13	23
Essence Securities Co Ltd	安信证券	2.6	11,111	3.20	8	14	13
China Securities Co Ltd	中信建投证券	2.5	10,648	4.39	9	15	3
Hong Yuan Securities Co Ltd	宏源证券	2.4	10,537	3.30	9	16	38
UBS Securities Co Ltd	瑞银证券	1.5	6,680	2.56	2	17	9
First Capital Securities Co Ltd	第一资本证券	1.4	6,030	4.02	4	18	36
Zhong De Securities Co Ltd	中德证券	1.4	5,902	4.61	7	19	28
Everbright Securities Co	光大证券	1.3	5,732	4.05	6	20	15

Source: Bloomberg, HSBC

D2: Domestic investment bank IPO ranking by number of deals (as of 29 October 2010)

Underwriter	机构	Issues	Main	SME	Gem	Rank (y-t-d)	Rank (2009)
PingAn Securities Co Ltd	平安证券	33	0	18	15	1	2
Guosen Securities Co Ltd	国信证券	27	2	19	6	2	1
Huatai Securities Co Ltd	华泰证券	27	0	22	5	3	12
China Merchants Securities Co Ltd	招商证券	20	0	12	8	4	3
GF Securities	广发证券	17	0	12	5	5	9
CITIC Securities Co Ltd	中信证券	9	3	4	2	6	4
Haitong Securities Co Ltd	海通证券	9	1	6	2	7	6
SINOLINK Securities Co Ltd	国金证券	9	0	7	2	8	15
China Securities Co Ltd	中信建投证券	9	0	4	5	9	5
Hong Yuan Securities Co Ltd	宏源证券	9	1	5	3	10	38
Essence Securities Co Ltd	安信证券	8	0	3	5	11	17
China Jianyin Investment Securities Co Ltd	中投证券	7	0	6	1	12	27
Zhong De Securities Co Ltd	中德证券	7	0	6	1	13	23
Everbright Securities Co	光大证券	6	0	4	2	14	7
Southwest Securities Co Ltd	西南证券	6	0	2	4	15	n.a.
Minsheng Securities Co Ltd	民生证券	6	0	5	1	16	30
China International Capital Corp	中金公司	5	4	0	1	17	10
BOC International (China) Ltd	中银国际	5	3	1	1	18	n.a.
Guoyuan Securities Co Ltd	国元证券	5	0	3	2	19	8
Guotai Junan Securities Co Ltd	国泰君安	4	3	0	1	20	n.a.

Source: Bloomberg, HSBC

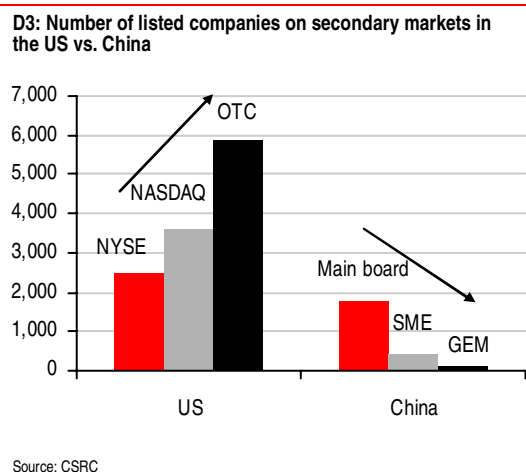
All change on the IPO stage

It's not hard to picture the scene. The management committee of one of China's leading securities companies is holding yet another meeting at its Beijing headquarters. The mood is tense and sombre. There's only one item on the agenda – to figure out a way to stop its market share in the local IPO underwriting market sliding any further.

Cut to real life, where seismic changes are indeed taking place in China's domestic equity underwriting market. Last year, CICC and CITIC Securities were by far the two biggest underwriters, playing a lead role in almost every large IPO and commanding fees of RMB69.5bn and RMB27.3bn, respectively, according to Bloomberg data.

This year, although CICC has retained its lead in total revenue, thanks largely to the mega Agricultural Bank of China deal (USD22bn), Everbright Bank (USD3bn), plus a large number of bank rights issues (see Fig. D1), it ranks only 17th in terms of the number of IPOs in which it has been the lead underwriter. Led by newcomers PingAn and Guosen as well as a large number of little-known domestic houses (see Fig. D2), the IPO market is shifting from large SOE-led deals to SME and GEM board listings for private enterprises.

This new trend looks set to continue for many years. Fig. D3 shows a cross section comparison of the number of firms listed on different parts of the secondary markets, i.e., the NYSE, NASDAQ and OTC markets in the US vs. the main board, SME and GEM boards in China. The US dominates in all categories in total numbers, suggesting that China's capital markets are still at an early stage of development, with huge potential for future IPOs.



More importantly, the number of listed companies increases from the NYSE down to NASDAQ and OTC market level, while the reverse is true for China. In another words, the two-decade run in China's remarkable equity capital markets growth has been characterized by a disproportionate surge in fund-raising by SOEs, while its SME and growth enterprises have so far lagged behind. As the majority of China's large SOEs have completed their listing on the main board over the last few years, it seems inevitable that its equity IPO market will follow the growth pattern of the US markets in future, assuming growth in IPOs continues.

There are 120,000 shareholding companies in China, only about 2,000 of which are listed, and that number can grow to 150,000 by 2011, according to the CSRC. With many more SME and GEM IPOs likely in the years ahead, as implied by Fig. D3, the IPO underwriting space will also see seismic changes. The "new kids on the block" shown in Fig. D2 who are closer to small local businesses and entrepreneurs are poised to win the battle against the established giants.

Losing control...

The reason why CITIC and CICC used to dominate the IPO market is that they both have strong links with central government, including the top three key regulators for equity IPOs – the CSRC, NDRC and SASAC (State-owned Assets Supervision and Administration Commission). CITIC is majority-owned by the CITIC group, the country's largest conglomerate, and CICC by China Construction Bank, the world's second largest bank.

There's little doubt that the clout of the "emperors" is fading fast. The new breed of players has much more humble origins and is more nimble than the established securities houses. They are far closer to local business developments and privately-owned growth enterprises.

At the same time, these businesses and their entrepreneurial owners care far more about being given good and early advice by investment bankers than connections with regulatory bodies. Note that SASAC only has supervisory authority over SOEs and the NDRC only has a limited role as far as privately-owned SMEs are concerned. So, apart from the CSRC, the influence from the central authorities appears to be limited, giving the new players a distinct advantage in the IPO market.

Meanwhile, local governments have been playing a critical role in bridging the gap between the regulatory power above and the ground level needs of these fast-growing businesses.

Again, let's take Jinjiang, the 10th-ranked county-level city, as an example. It will have at least 30 listed companies by year end with 10 more IPOs next year. Its top officials – Party secretaries and mayors – have over the last decade focused on promoting the listing of local companies. They have invited industry players to become advisors and asked CSRC officials to take temporary roles as city administrators (for example, assistant mayor of Jinjiang city).

This new "bottom-up" business trend is a welcome sign that China's capital markets are starting to mature.

Glossary

Abbreviation	Description
"China", "Mainland China", "the country" and "the nation"	mean mainland China
bn	billion
CAGR	compound annual growth rate
CBOT	Chicago Board of Trade
CBRC	China Banking Regulatory Commission
CE	coal equivalent
cekg	coal equivalent kilogram
CIRC	China Insurance Regulatory Commission
CPPCC	Chinese People's Political Consultative Conference
CSRC	China Securities Regulatory Commission
Exports	goods and services exported by producers in the region
FAI	fixed asset investment
FDI	foreign direct investment
GEM	growth enterprise market
GEM Board	Growth Enterprise Market Board on Shenzhen Stock Exchange
HKSE	Hong Kong Stock Exchange
Imports	goods and services imported by consumers in the region
k	thousand
m	million
Municipality	Direct-controlled municipality, highest level classification for cities in China
NDRC	National Development and Reform Commission
NPC	National People's Congress
PBoC	People's Bank of China
PDI	personal disposable income
psm	per square meter
RMB	Renminbi (Chinese currency: Yuan)
SAFE	State Administration of Foreign Exchange
SASAC	State-owned Assets Supervision and Administration Commission
SGE	Shanghai Gold Exchange
SHFE	Shanghai Futures Exchange
SME	Small and medium-sized enterprise
SME Board	Small and Medium-sized Enterprise Board on Shenzhen Stock Exchange
sq km	square kilometer
sqm	square meter
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
TEU	twenty-foot equivalent unit, a measure used in container transportation
TGD	Three Gorges Dam
trn	trillion
UNESCO	United Nations Educational, Scientific and Cultural Organization

Source: HSBC

Notes

Notes

Disclosure appendix

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