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This Week in China

Chinese Government Will Provide More Stimulus If Needed

Premier Wen Jiabao pledged on Friday that China is capable of launching a new stimulus package "at any time."

Wen told a press conference after the annual National People's Congress (NPC) session that China is prepared for protracted difficulties as the global financial crisis worsens, and has gathered sufficient "ammunition" to combat the deepening crisis.

"We've left policy leeway and can put forward new stimulus policies at any time," the premier said.

China rolled out a RMB 4 trillion (\$586 billion)

China's Fiscal Package Starting to Work

The American government plans to run a budget deficit of 12% of GDP this year while China plans to run a deficit of only 3% of GDP. In China, however, this would understate the true level of relative stimulus because some public infrastructure investment will be done by state-owned firms or local governments and financed by banks.

Tao Wang of UBS

stimulus package in November, but economists said it may need to earmark more funding if the economy fails to recover as strongly as expected in the second half of this year.

Wen's remarks were a formal confirmation that the country remains ready to take new initiatives to keep the world's third-largest economy moving amid the still worsening global financial crisis.

Statistics such as electricity use and the purchasing managers index have shown initial signs of recovery, but analysts generally hold that China's economic growth will rebound mostly in the second half of this year.

estimates that new infrastructure investment, tax cuts, consumer subsidies and increased spending on health care along with the bank financed infrastructure spending might lift the total stimulus by the central government to about 4% of GDP in 2009.

Chinese investment in railways, roads and power grids is already booming. In the first two months of this year, total fixed investment was 30%

"The GDP growth target will be met after the stimulus plan brings the economy out of the downturn in the second half," said Li Daokui, an economist at Tsinghua University.

Wen said the country's vast domestic market, great consumer potential and healthy financial system would provide a solid back-up for stable economic growth. He also said that the central government's RMB 1.2 trillion investment from the RMB 4 trillion package was totally new money.

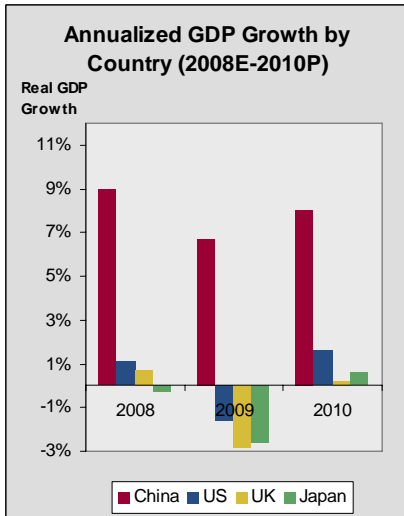
The country also plans to spend RMB 850 billion on reforming the healthcare sector within three years, he said.

Source: *China Daily*

higher in real terms than a year earlier, and investment in railways has tripled.

China has cut its interest rates by only half as much as America's Federal Reserve, but the results have been very positive. Bank lending in China has grown by 24% over the past year. China is one of the few countries in the world where credit has accelerated since the start of the global credit crunch.

Source: *Economist*



Source: Euromonitor

China's GDP growth will greatly exceed that of other major economies in the coming years and beyond.

2009 China Budget (RMB Bn)

Government Spending

Education	1,094.7
Social Protection	833.1
Agriculture / Water	577.6
Transportation	417.2
Healthcare	341.6
Science R&D	264.8
Mining / Electricity	262.3
Food / Resources	250.9
Environ. Protection	174.6
Earthquake Reconst.	118.0
Other	3,288.8
Total	7,623.6

Fiscal Deficit (1,000.5)
% of GDP 3.0%

Source: Credit Suisse

Environmental Protection

China Applies Green Index to Foreign Investment

China will add an environmental protection index and a land-use intensity index to the evaluation of foreign-funded enterprises so foreign capital can be used more effectively, the Foreign Investment Office of the Ministry of Commerce (MOC) said.

The environmental protection index will include capital input in the areas of environmental protection, annual sulfur dioxide emission and chemical oxygen demand. These factors will have to be considered by regional

economic planners when approving foreign-funded enterprises.

According to a joint statement from the MOC and the Ministry of Environmental Protection, foreign-funded companies will have to provide assessments from local environmental protection departments.

These moves are intended to tighten scrutiny of energy-intensive and polluting facilities funded by foreign investments, the MOC said.

The land-use index will include gross fixed-asset investment and the total area of land used, as well

as a breakdown of how that land is used - for example, for buildings, residential facilities or "green" areas.

The MOC has urged local governments to consider several factors when approving foreign investment, including the investment environment, overall quality, industrial upgrading, innovation, energy conservation and environmental protection and ethical issues.

China used \$108.3 billion of foreign direct investment (FDI) in 2008, up 29.7 percent.

Source: China Daily

Project Utilizes Sludge in Cement Production

A plant capable of treating more than 60 percent of the sewage sludge in the city of Guangzhou recently went into operation.

The owner of the project, Guangzhou Heidelberg Yuexiu Cement Co Ltd, will be able to handle 600 tons of the sludge every day.

Guangzhou produces about 950 tons of sludge a day at present. The figure is expected to reach 2,425 tons next year and 3,120 tons in 2020.

The firm, a joint venture between Hong Kong-based Yuexiu Group and

the global leader, Heidelberg Cement in Germany, will treat the sludge, turning it into raw materials and alternative fuels for cement manufacturing in the process, with no extra emission or ash.

"Sewage sludge has seen a surge in tandem with the city's efforts to dispose of wastewater," said Ran Shende, deputy secretary-general of the municipal government of Guangzhou. "The project may help Guangzhou solve the perplexing problem of sludge step by step and may even set an example for other domestic cities to follow."

"In producing cement

kilns, sewage sludge can be recycled and become the fuel," said Zhang Zhaoxing, general manager of Yuexiu Group, adding that the project well integrates the cement industry with the environmental protection industry.

The project, with an initial investment of over RMB 70 million (\$10.2 million), is a key R&D project of the technology and equipment for industrial and municipal waste treatment of Guangzhou as well as a critical Sino-German technological cooperation project in industrial and environmental protection.

Source: China Daily

Alternative Energy

Vestas Increases China investment By \$90 million

Vestas, the world's largest wind power equipment manufacturer by market share, announced it has increased investment in its China subsidiary for a fifth time in a bid to tap growing business opportunities.

The Danish company invested another \$90 million, increasing the total investment in Vestas Wind Technology (China) Ltd to \$363 million.

The wholly-funded subsidiary was established with an initial investment of \$30 million in Binhai New Area, a northern port city of Tianjin, in 2005.

The new investment would fund expansion of production capacity of wind turbine blades and reduce its reliance on imports from Europe, the company said in a press release.

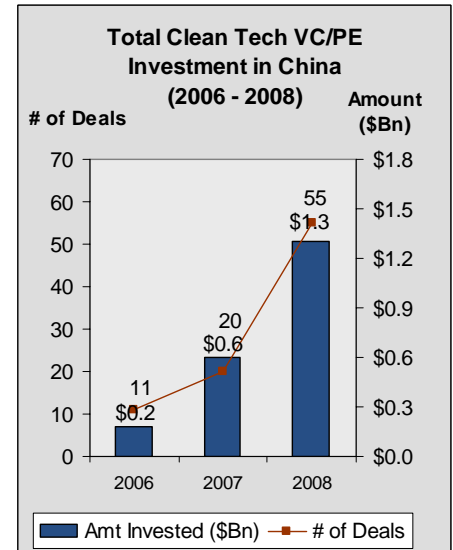
The China subsidiary produces wind power blades, nacelles and

generators. The control systems and machine plants are expected to start work in April, it added.

Vestas announced late December that it had received three orders for wind power equipment with a total capacity of 200 megawatts from China's power companies.

Vestas Wind Systems A/S (CPSE:VWS) was founded in 1945 and is headquartered in Randers, Denmark.

Source: *China Daily*



Source: Zero2IPO

Consumer Products / Retail

Coca-Cola Expanding Commitment to China

The Coca-Cola Company announced it has opened a \$90 million innovation and technology center in Shanghai. The company also has announced that it will pump a further \$2 billion into China over the next three years. The news comes just days before the deadline for the completion of Coke's proposed takeover of domestic drinks company Huiyuan Juice.

The new research center, Coke's largest in Asia, will look at developing new products suitable for Chinese tastes, where drinks like juices and teas are preferred over Coke's traditional mainstay, carbonated beverages.

The \$2 billion of further

investment will be spent on new plants and distribution infrastructure, sales and marketing, and research and development. The investment announced is greater than all the money the US drinks giant has put into China since it returned to the country in 1979, estimated at \$1.6 billion.

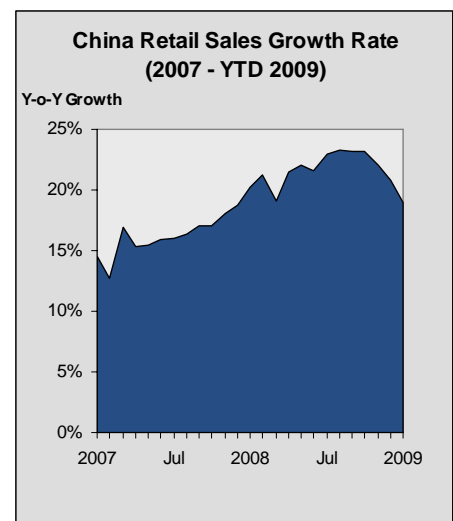
The announcement is likely to be linked to the imminent deadline for Coke's takeover of Huiyuan Juice, which is due for completion on March 23. In September, Coke revealed a \$2.4 billion offer for control of Huiyuan and has since been waiting for regulatory approval under China's new anti-monopoly law.

China's importance is apparent to the Coca-Cola Company. Sprite sales

have reached two billion units in annual volume, driven by China; the Olympic sponsorship allowed Coke to connect with half a billion consumers; and Coke's product Minute Maid Pulpy was deemed a "huge success in China" by reaching a volume of a couple of hundred million cases.

Coke's bullishness on China is not surprising. Per capita consumption of Coke beverages in 2008 was 24 units per person per annum, compared to over 400 in North America. Even accounting for the difference in purchasing power and consumption preferences, the potential for Coke to further penetrate China seems indisputable.

Source: *BusinessWeek*



Source: Bloomberg

Recent Transactions

Astronergy Secures \$50M for PV Manufacturing in China

Astronergy, based in Hangzhou, said it has secured \$50 million from two China-based private equity investors, Cybernaut China Investment and Shanghai Lianhe Investment.

Astronergy, a subsidiary of the Chint Group, plans to reach 380 megawatts of production capacity by 2010. The Chint Group is a leading player in the low-voltage electrical, power transmission, and power

distribution industries in China.

Astronergy says it produces single crystalline silicon solar cells with average conversion efficiency of more than 16.5 percent. The company is developing the technology to manufacture amorphous and micro-crystalline silicon tandem thin film photovoltaic modules with an average conversion efficiency of more than 9 percent.

Astronergy says it expects to be among the first companies to reduce the

PV module cost to below \$1 per watt. Thin-film giant First Solar recently said it was able to produce thin-film panels for less than \$1 per watt. First Solar expects to reach 1,100 MW manufacturing capacity in 2009.

Cybernaut is a partner of U.S. venture capital fund New Enterprise Associates. The firm established two venture capital funds in December with a combined 650 million RMB (\$95 million) to invest in clean energy and health care.

Source: Zero2IPO

Guangzhou Grandbuy Co. Ltd. Acquires Xin Da Xin Department Store for \$26 million

Guangzhou Grandbuy Co. Ltd. (SZSE: 002187) agreed to acquire the remaining 99% stake in Xin Da Xin Department Store for approximately

RMB 180 million (\$26 million). Guangzhou Grandbuy Company Limited will offer 8.73 million shares at RMB 21 per share through a private share placement to raise about RMB 184 million (\$27 million). On completion of the

transaction, Xin Da Xin Department Store will be the wholly-owned subsidiary of Guangzhou Grandbuy Co. Ltd. Guangzhou Grandbuy Co. Ltd. was founded in 1990 and generated \$473 million in revenue in 2008.

Source: Capital IQ

China Tel Group Acquires 49% Stake in Chinacomm Ltd.

China Tel Group Inc. (OTCBB: CHTL) acquired a 49% stake in

Chinacomm Ltd. from Trussnet Capital Partners (HK) Ltd. for approximately \$200 million. Under the transaction, China Tel Group acquired 2.45 billion shares of Chinacomm Ltd.

Chinacomm Ltd., based in Beijing, is a wireless broadband network builder and operator in mainland China.

Source: Capital IQ

China-based Valin Steel Raises Stake in Australian Miner to 17.4 Percent

Australian miner Fortescue Metals Group said it will sell 35 million shares to Hunan Valin Iron and Steel Co. Ltd. at AU\$ 2.48 per share, bringing the

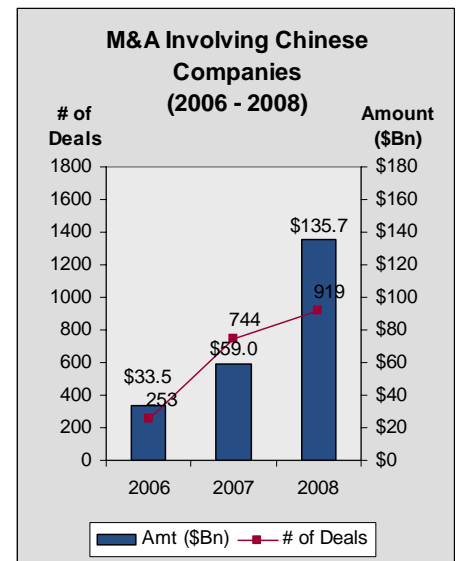
Chinese company's stake in Fortescue to 17.4 percent.

The AU\$ 86.8 million in proceeds will help Fortescue expand annual production to more than 55 million tons, the Australian miner said in a statement.

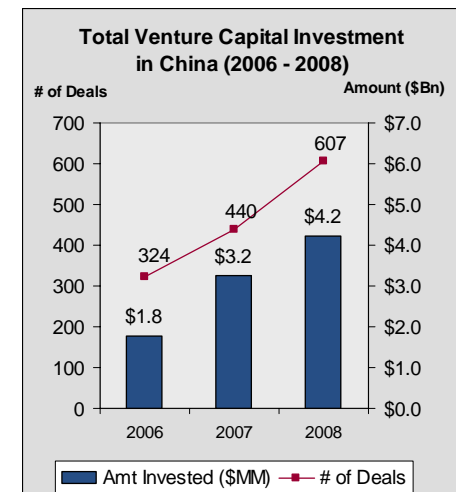
Valin's stake purchases,

subject to approval from Australia's Foreign Investment Review Board, form part of an overall Chinese campaign to secure overseas resources, particularly in Australia, where logistics to the mainland are advantageous relative to other major suppliers.

Source: Zero2IPO



Source: Capital IQ



Source: Zero2IPO