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This Week in China

Chinese Premier Says Economy Performing Better Than Expected

China's 4 trillion yuan (\$585 billion) stimulus plan has shown "better-than-expected" results in reviving growth in the world's third largest economy and helped restore market confidence, Premier Wen Jiabao said.

"China's rapid reaction in rolling out the stimulus package has resolved some prominent problems in the economy, strengthened market confidence and stabilized people's expectation," Wen said at the Boao Forum in southern China's Hainan province.

The Chinese economy grew 6.1 percent in the first quarter, urban fixed-asset investment expanded, and loans rose amid record car sales in March,

signaling a tentative recovery. Investors have snapped up Chinese equities, boosting the Shanghai Composite Index by 38% this year, the 2nd best performer among 88 indices tracked by Bloomberg.

"China's economy has touched bottom and economic growth may recover this quarter to about 7 percent," the Communist Party's deputy research head Zheng Xinli said at Boao. The government may need to beef up investments to offset the loss of exports to meet its 8 percent growth target for 2009, he said.

China's economic expansion is a contrast with the recessions around the world. The Organization for Economic Cooperation and Development predicts a 4 percent contraction in the U.S. and a 6.6 percent

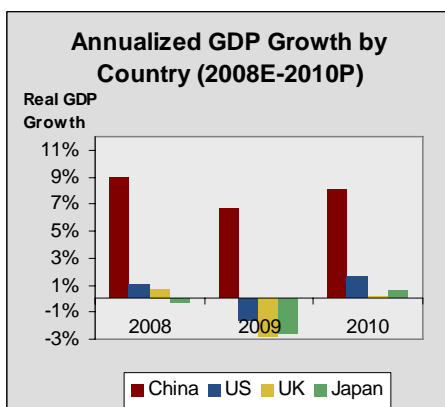
decline in Japan.

China is trying to rebalance the economy by improving social welfare and healthcare to boost public confidence so the public can spend more and make up for the nation's loss in exports.

China plans to boost welfare spending by 29 percent and is giving 20 billion yuan (\$2.9 billion) in subsidies this year to help rural residents buy televisions, fridges and other electrical appliances.

The State Council this month approved guidelines for an 850 billion yuan (\$124 billion) health care plan, including the building of at least one hospital in every county and expanding medical insurance coverage to 90 percent of the population by 2011.

Source: Bloomberg



Source: Euromonitor International

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

Healthcare

China's New Healthcare Will Cover Millions More

China has laid out its plans to dramatically reform its health care system by expanding coverage for hundreds of millions of farmers, migrant workers and city residents.

The World Bank announced that while China's growing economy had lifted a half billion people out of poverty from 1981 to 2004, medical costs remained one of the top financial threats to low income rural residents. With that burden in mind, Beijing has said it will spend \$125 billion over the next three years building thousands of clinics and hospitals and expanding basic health care coverage to 90% of

the population.

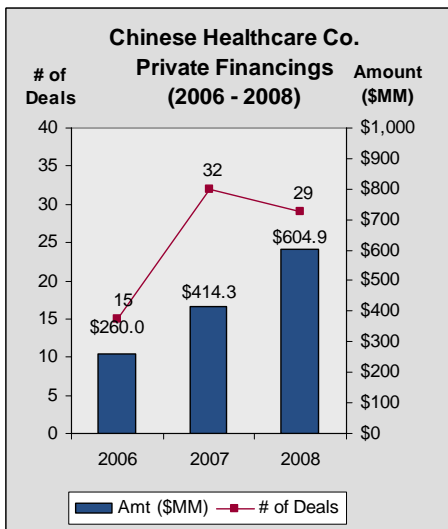
China has faced health care problems for years, but the economic crisis has increased the need for reforms. The lack of an adequate safety net forces Chinese to save huge sums to cover treatment costs. By building a sounder health care system, the Chinese government expects consumers to spend more of their savings and boost economic growth.

A key aspect to controlling medical expenses is managing the price of drugs. The government has announced it will set price controls on medicines deemed to be essential, likely based on a list of 300 to 400 drugs recommended by the World Health Organ-

ization.

The government has warned that it doesn't expect to provide "safe, effective, convenient and affordable" health care to all citizens until 2020. Over the first three years of the plan, more than 60% of the costs will be borne by provincial and local governments. That burden will increase after 2011, meaning poorer western regions may be slower to achieve the blueprint's goals. "Health care reform is a long-term process," deputy finance minister Wang Jun told a news conference April 8. "It is impossible to invest the money today and make tangible process tomorrow."

Source: Time Magazine



Source: Capital IQ

Metals and Mining

China Iron Ore Talks Begin to Favor Miners

Asian steelmakers may lose their battle for a steep cut in annual iron ore prices, as firm spot prices and steady steel output growth in China, the world's top steelmaker, outweigh a bleak outlook elsewhere.

Steel mills facing pressure to cut prices from struggling car makers, shipbuilders and electronics firms have pressed for a quick iron ore settlement before the end of April, but few analysts and traders see any immediate prospect of a deal as

miners eye recent signs of economic recovery.

By delaying talks past the April 1 deadline, miners are now in a favorable position to concede less than the cut of 40 percent that steelmakers sought, especially following glimmers of recovery in China's economy.

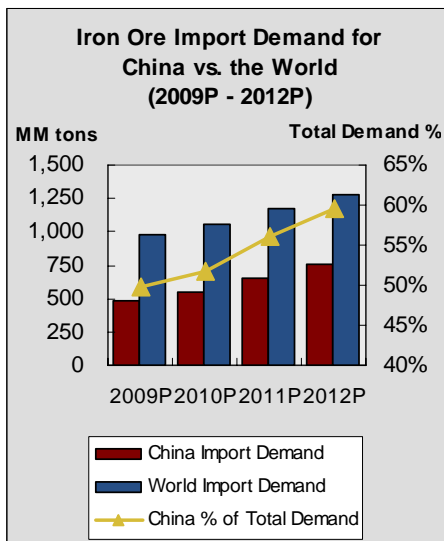
"Further delay will obviously benefit miners more than steel firms, as the overall trend increasingly supports the view that the economy will recover," said G.J. Kim, an analyst with Samsung Securities.

The world's top three

producers of iron ore, BHP Billiton, Rio Tinto and Vale, who control two-thirds of global seaborne trade in ore, are already preparing for a recovery in China with higher output targets.

Due to the small and medium steel mills, China could see record imports of iron ore over an extended period of time and weak spot iron ore prices may halt their slide in support of miners. Spot prices of iron ore have traded steady in recent weeks at around \$64 a ton, a factor favoring miners.

Source: Reuters



Source: Morgan Stanley

Alternative Energy

China's Greenhouse Gas Emissions Threaten to Double

"Many Western industrialized nations want China to commit to reducing its CO2 emissions," said Dabo Guan of the Electricity Policy Research Group at the University of Cambridge in England. "But the country will not even be capable of doing so." Guan, a native of China, has published several studies on the issue.

China will continue to expand at a steady pace even though the financial crisis has somewhat tempered its previously booming growth. There will be more city and road construction, infrastructure and transportation projects, as well as expanding industrial

production. More and more urban households will adopt a Western lifestyle by then, complete with air conditioning, refrigerators, television sets, computers and other appliances.

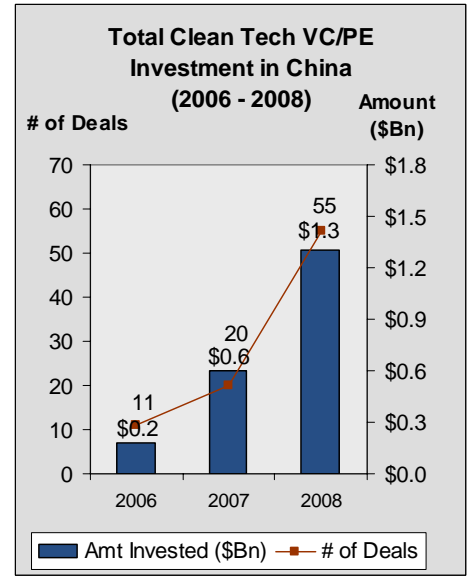
This will steeply drive up energy demand in China. The IEA and NBS predict that to satisfy this demand, the country's power plants will have to supply more than 8,600 terawatts of electricity in 2030, about three times as much as in 2006.

China does hope to reduce its share of coal, which is harmful to the climate, from a current level of 83 percent of the country's energy production. It also wants to increase the role of biomass, water, wind and nuclear power.

Guan and his colleagues developed their own scenarios for the next two decades, which shows that even with all new coal power plants equipped with carbon capture and storage (CCS), China's CO2 emissions would increase by 80 percent by 2030.

"Of course, we have addressed renewable energy sources," says environmental economist Guan. If China were to commit to reducing its carbon dioxide emissions to 2000 levels by 2030, Guan says, 40 percent of its primary energy production would have to come from renewable sources like biomass, wind and hydroelectric power.

Source: Spiegel Online



Source: Zero2IPO

Consumer Products / Retail

China's Retail Sales Rise 15% in First Quarter of 2009

China's retail sales reached RMB 2.94 trillion (\$430 billion) in the first quarter of this year, representing a year-on-year rise of 15%, said the National Bureau of Statistics (NBS).

The quarterly growth, taking into account the effects of price change, may be as high as 15.9%, according to the NBS.

The total retail sales in urban areas amounted to RMB 1.98 trillion (\$290 billion), increasing by

14.1% from a year earlier, while retail sales in areas at or below the county level rose 17% year-on-year to RMB 956.4 billion (\$140 billion).

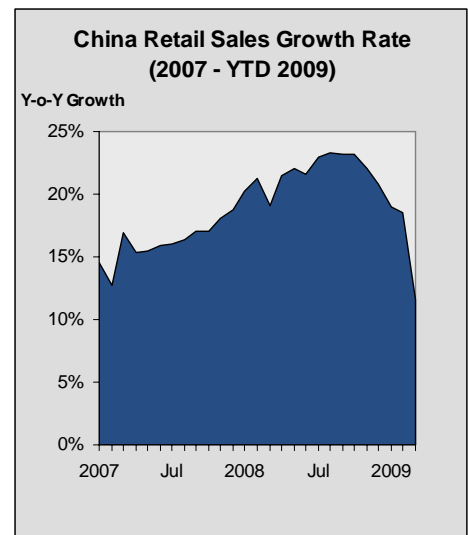
Wholesale and retail sales of furniture climbed 24.1% from a year earlier. There was a 20.2% increase in sales of construction and decoration materials, and a 11.1% growth in sales of automobiles.

Retail sales in March edged up 14.7% from a year earlier.

The Chinese government has released a new stimulus package to boost

consumption despite the better than expected economic data in the first quarter, according to an earlier report from China Knowledge.

Source: China Knowledge



Source: Bloomberg

Recent Transactions

China Minmetals and OZ Minerals Agree to \$1.21 Billion Takeover Deal

Australian miner OZ Minerals announced it signed a \$1.21 billion takeover deal with China Minmetals which would leave it with A\$500 million (\$366 million) in cash.

The revised bid is well below Minmetals' original \$1.7 billion offer, and excludes the flagship Prominent Hill mine and other "sensitive assets."

"Once implemented, this transaction will provide a complete solution to our

financing issues and see shareholders retain their OZ Minerals shares and therefore exposure to the Prominent Hill operation and its long-term growth profile," said Andrew Michelmore, OZ's Chief Executive Officer.

OZ said it expected the deal, which is yet to be approved by Chinese regulators and Australia's foreign investments review board as well as its shareholders, to go through in late June.

To ensure a smooth acquisition, OZ pledged not to voluntarily make

contacts with other third parties that also intend to bid for it, and in turn Minmetals agreed to pay OZ some \$12 million in compensation if the deal eventually collapses, China Securities Journal reported.

Australian authorities turned down Minmetals' takeover bid for OZ on March 27, citing national security concerns. The current agreement was based on a revised proposal produced by Minmetals on April 1.

Source: Zero2IPO

Pearson Buys Wall Street English For \$145 Million

Pearson, an international education and information company, said that it acquired Wall Street English from parent company Wall Street Institute, which is majority-owned by global private equity firm The Carlyle Group, for \$145 million in cash.

Wall Street English is

China's leading provider of premium English language training to adults, it said.

Between 2006 and 2008 it achieved compound annual revenue growth of more than 40%, and expects to generate \$70 million in sales this year.

It will integrate Pearson's content, assessment and technology into the Wall Street English instructional process, and retain the Wall Street English brand,

which has high recognition and a strong reputation in its key markets.

Pearson plans to invest to open new Wall Street English training centers in additional cities across China, and to use the Wall Street English network and capabilities as a platform for expanding Pearson's wider professional education businesses.

Source: Wall Street Journal

Shipbuilder Rongsheng to Go Ahead with Listing Plan

China's largest private shipbuilder, Jiangsu Rongsheng Heavy Industries Co., is going ahead with its plan to list in the public markets.

Rongsheng had planned to raise \$2 billion by listing in New York, Hong Kong, Singapore or on the

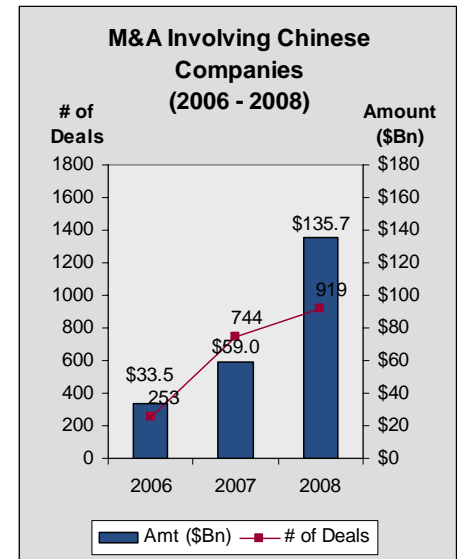
Chinese mainland by the end of 2008. But it put the plan on hold amid shrinking orders as trade collapsed due to the global economic downturn.

The shipbuilder is going ahead with its listing plan because it badly needs capital to fund a technology and facility upgrade.

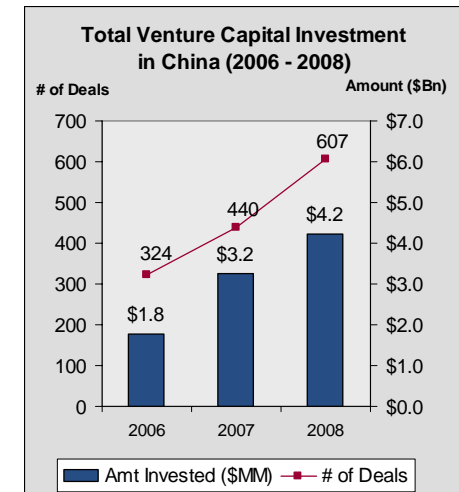
The company was est-

ablished in 2005 and has become the country's third biggest shipbuilder after China State Shipbuilding Corp. and China Shipbuilding Industry Corp. It secured a \$1.6 billion order in August 2008 to supply 12 bulk carriers to Brazilian iron ore miner Vale do Rio Doce, with a capacity of 400,000 DWTs each.

Source: Zero2IPO



Source: Capital IQ



Source: Zero2IPO