

# ARC CHINA CONFERENCE INVITATION



You are invited to come learn about recent trends in the world's dominant growth market and hear from companies benefiting from this domestic consumption.

The conference will occur on the following dates at the following locations:

- **Wednesday, May 27, 2009 (8:30am - 6:00pm)** - Grand Hotel Kempinski in Geneva, Switzerland
- **Thursday, May 28, 2009 (8:30am - 6:00pm)** - The Dolder Grand in Zurich, Switzerland

Presentation topics and companies will include the following:

- **China Investment Policies Overview**, presented by Zhang Guofu, Deputy Secretary General of China Chamber of International Commerce (CCIC)
- **2009 China Investment Outlook**, presented by Adam Roseman, Founder & CEO of ARC China
- **China Energy Recovery (OTCBB:CGYV)**, a global energy recovery system provider, presented by Richard Liu, CFO
- **Chengdu Tiehang Network Service**, a Sichuan-based travel agency company, presented by David Liu, CEO
- **5 Colours Foundation / Art Fund**, Benefit Art Auction for 5.21 Earthquake Relief
- **NF Energy (OTCBB:NFES)**, a provider of energy saving valves, equipment, and consulting, presented by Li Gang, CEO
- **Wowo**, an operator of 24 hour convenience stores in Sichuan Province, presented by Tang Yaohua, CEO
- **Capture Advance**, an iron ore provider to the Chinese steel industry, presented by TBD
- **ChinaTel Group (OTCBB:CHTL)**, an emerging markets focused telecom company, presented by George Alvarez, CEO
- **Legend Media (OTCBB:LEGE)**, a China radio and airline magazine advertising company, presented by Jeff Dash, CFO

Please contact Floriane Meyer at +41 76 581 45 21 or [info@investmentconnections.com](mailto:info@investmentconnections.com) to register for the conference or to request more information.



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## This Week in China

### Chief Economist of Goldman Sachs Boosts China Forecasts

Jim O'Neill, Chief Economist of Goldman Sachs, recently upgraded GDP forecasts for China for 2009 and 2010. Goldman is now projecting growth of 8.3 per cent and 10.9 per cent respectively up from 6.0 per cent and 9.0 per cent.

Why the optimism? It was clear that the massive rise in exports, the mainstay of the China growth model up until 2008, was not sustainable. At one stage in late 2007, Chinese exports to the US alone were around 12 per cent of total GDP. This meant that exports would suffer badly in the event of something going wrong with domestic demand in the US, as well as the risk of a protectionist backlash.

Fast forward to the financial crisis. When the crisis intensified post-Lehman, global trade suffered enormously, and it was clear that Chinese growth would suffer as well. It was also reasonably clear that, just as they did in response to the Asian crisis in 1997, Chinese policymakers would react swiftly, and shift gears.

Three policy initiatives stand out, and the results are starting to bear fruit. First, in November the authorities announced massive fiscal expansion, centered on fresh infrastructure spending.

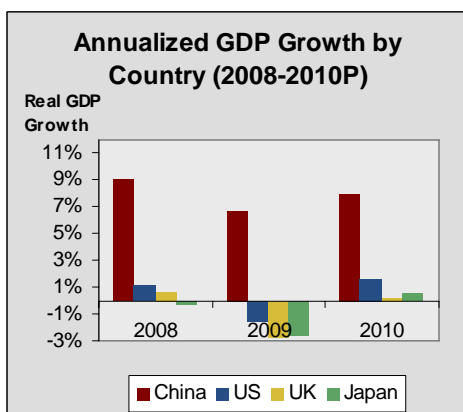
Second, the government announced plans to develop a full medical insurance policy for the still vast rural community, the beginnings of which they plan to have fully implemented for 90 per

cent of the rural community by 2011. This could result in an end to the excessively high Chinese savings rate and allow much stronger consumption.

Third, and critical to the forecast upgrade, the authorities, led by the People's Bank of China, embarked on a timely reversal of tightening financial conditions of the previous two years.

These three measures have set the scene for a major acceleration of Chinese domestic demand for the rest of 2009 and 2010, just the right recipe for China, and critically, the world. Indeed, in the next two years China is very likely to overtake Japan to become the world's 2<sup>nd</sup> largest economy.

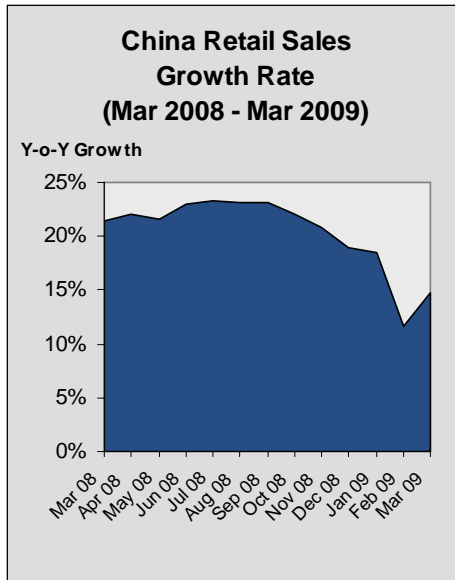
Source: Financial Times



Source: Euromonitor International

*"In the next two years, China is very likely to overtake Japan to become the world's 2nd largest economy."*

## Consumer Products / Retail



Source: Bloomberg

*"Companies looking to tap into China's local market are better served by looking beyond Beijing and Shanghai and establishing their presence in second and third-tier cities."*

*"Chengdu has more wealthy households than Detroit and Wenzhou as many as Atlanta."*

### Majority of China's Richest Live Outside Big Cities

The majority of China's wealthiest people live outside the huge cities of Beijing, Shanghai and Guangdong, according to a study.

The Hurun 2009 Wealth Report announced that 825,000 people in China have a reported personal wealth of more than RMB 10 million (\$1.47 million) while 51,000 people are worth more than RMB 100 million. Fifty-two percent of these millionaires live outside the traditional centers of wealth.

The study validated previous reports that much of the country's growing wealthy consumer segment will come from smaller cities. Companies looking to tap

### Western Brands Target Chinese Women

The opening of clothing retailer H&M's first store in Beijing was marked by the sight of hundreds of umbrellas clustered around its front doors.

Two women at the front of the line said they had been waiting since 6 a.m. The store didn't open for five more hours.

"We heard about it in Shanghai and did some research," one woman said. "We checked its Web site and its new designs. We loved it."

Young, urban Chinese

into China's local market are better served by looking beyond Beijing and Shanghai and establishing their presence in second and third-tier cities.

According to a separate report made by McKinsey & Co: "In Beijing, the biggest brand names often have several retail outlets, but many go unrepresented in Chengdu or Wenzhou, even though Chengdu has more wealthy households than Detroit and Wenzhou as many as Atlanta."

According to the Hurun Report, 48 percent of China's richest are concentrated in Beijing, Guangdong and Shanghai with Beijing home to the most millionaires with 143,000 individuals valued at more than RMB 10

women who love Western brands are H&M's target market.

The Beijing branch is H&M's tenth store in mainland China, after opening in Shanghai, Nanjing, Changzhou, Shenzhen and Wuxi. China is a crucial part of H&M's plan to grow its brand in Asia.

"H&M is targeting young women from the age of 20-35," said marketing consultant Ray Ally. "They're looking for a very kind of Western fashion. They want clothes they can't buy in China from local brands."

million and 8,800 individuals with more than RMB 100 million.

Guangdong Province follows with 137,000 people, then Shanghai with 116,000, and then Zhejiang Province with 110,500 millionaires. In Hangzhou and Wenzhou there are 42,300 and 18,200 millionaires respectively.

The study based the ranking on measured private wealth, including businesses, luxury cars, taxes, company registered capital and private residences. It also took into consideration the Gini coefficient measuring income distribution to the 2008 China GDP and 2007 China GNP.

Source: China Briefing

H&M is one of several Western companies seeking to expand in China, especially in light of bad sales back home due to the economic crisis.

They're hoping to cash in on young professional women who want to be their own person, create their own style and have the money to do it.

"Women tend to spend more on brands," said Ally. "They're more self-conscious, more aware of health and beauty issues."

## Consumer Products / Retail (cont'd)

Toy manufacturer Mattel recently opened a flagship store in Shanghai. It includes six glistening floors filled with not just Barbie dolls, but branded luxury goods aimed at young women.

Unilever-owned Dove is sponsoring the Chinese version of the TV Show "Ugly Betty." Episodes

feature several seconds of fairly obvious product placement.

And, Estee Lauder's Clinique is trying to reach China's 300 million netizens via the Internet with "Sufei's Diary." The digital sitcom profiles Sufei, a college student who deals with health and beauty issues. In one

episode, she battles her pimples with Clinique's skin care cosmetics. This kind of non-traditional marketing is well-suited to Chinese consumers who spend many more hours online than watching television.

Source: CNN.com

## Metals and Mining

### China Reveals Big Rise in Gold Reserves

China has quietly almost doubled its gold reserves to become the world's fifth-biggest holder of the precious metal, in a move that signals the revival of bullion after years of fading importance.

Gold rose to a three week high of more than \$910 an ounce after Hu Xiaolian, head of the secretive State Administration of Foreign Exchange, which manages the country's \$1,954bn in foreign exchange reserves, revealed China had 1,054 tons of gold, up from 600 tons in 2003.

The news could spark interest in gold among other central banks. "When the largest holder of foreign exchange reserves discloses an increase in gold holdings, other countries may decide to think more carefully about underweight gold positions,"

said John Reade, a precious metals strategist at UBS.

The increase in China's gold reserves has come primarily from domestic production and refining. However, the news raises questions about the future of Beijing's foreign reserves policy.

Ahead of the G20 summit in London this month, China suggested global reliance on the US dollar as a reserve currency should be reduced.

China has been diversifying away from the dollar since 2005, when it broke the renminbi's peg to the US currency and officially marked it to a basket of currencies, but it still holds more than two-thirds in US dollar-denominated assets by most estimates.

China's accumulation of gold has taken place as European central banks have gradually cut back

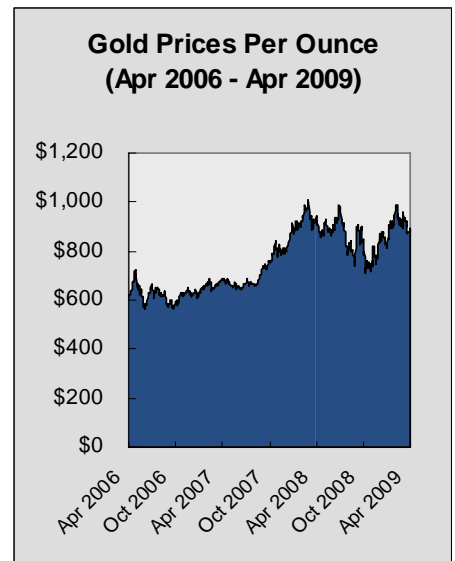
gold sales following a 1999 agreement to prevent the market from being flooded after prices were dragged sharply lower after the UK decided to sell part of its reserves.

"China's announcement signals a broader shift in central banks' attitude towards gold," said Philip Klapwijk, chairman of GFMS, the precious metal consultancy.

Since 1999, central banks in Europe have sold large amounts of gold, investing the proceeds into bonds. But in the past two years they have curtailed their sales significantly while central banks outside Europe became net buyers of bullion.

Suki Cooper, a gold analyst at Barclays Capital, said China's move was "reigniting gold's relevance as a monetary asset".

Source: Financial Times



Source: World Gold Council

## Recent Transactions

### Chinese Aluminum Firm Plans \$1.6 Billion IPO

China Zhongwang Holdings Ltd. plans to raise nearly \$1.6 billion in the world's biggest IPO so far this year.

The company is selling 1.4 billion new shares in Hong Kong, or 25.9% of its enlarged share capital, at a range of HK\$6.80 to HK\$8.80 each.

The initial public offering is more than three times as large as the \$500 million the company originally

planned to raise.

Zhongwang is Asia's largest aluminum extrusion manufacturer by capacity. It shapes the metal into different sizes and parts for industrial and transport-related businesses.

Until now, baby formula maker Mead Johnson Nutrition Co.'s \$828 million February IPO in New York has been the largest such share sale this year.

Zhongwang, which is based in Liaoning province in northeast China, is

expected to list on the Hong Kong stock exchange May 8th.

Analysts said a continued increase in revenue from the operation would help the company's net profit rise 65% this year to RMB 3.16 billion, from RMB 1.91 billion in 2008.

The indicative price range translates to a price to earnings ratio of 10.4 to 13.5 times the company's forecast 2009 earnings.

Source: Wall Street Journal

### China Recycling Energy Corp Raises \$2 million in Private Placement

China Recycling Energy Corp (OTCBB: CREG) announced a private placement of 2,352,941 common shares at \$0.85 per share with Great Essential Investment, Ltd for gross proceeds of \$2,000,000.

China Recycling Energy

Corp will use the proceeds to cover capital expenditures for its operations in China and other working capital needs.

China Recycling Energy Corporation provides energy saving and recycling products and services in the People's Republic of China. The company engages in designing, selling, installing, and operating top gas

recovery turbine systems (TRT) and other renewable energy products. It also markets CHPG, power generation by recovering cement residual heat without additional fuel. China Recycling Energy Corporation was founded in 2004 and is based in Xi'an City, China.

Source: Capital IQ

### Fujian Peak Raises \$59 million in Private Equity Investment

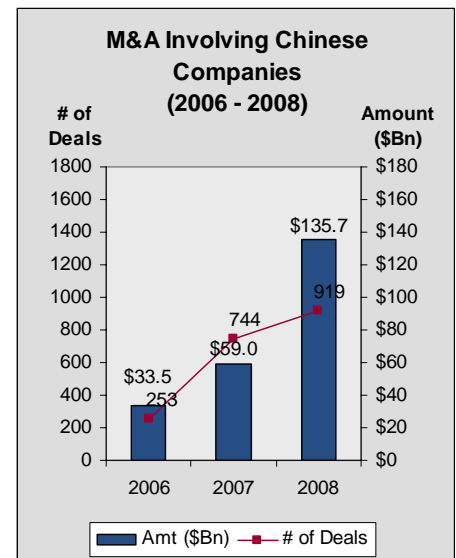
Fujian Peak Group Co., Ltd. announced that it has raised RMB 400 million (\$59 million) in a round of funding. The round saw participation from Legend Capital, CCB International Asset Management Limited, and existing investor Sequoia Capital China. This is the last round of funding by the company before going public.

Fujian Peak Group Co., Ltd. will use the proceeds for design, research and development, talent recruitment, sales point exploration, and brand and cross-brand promotion.

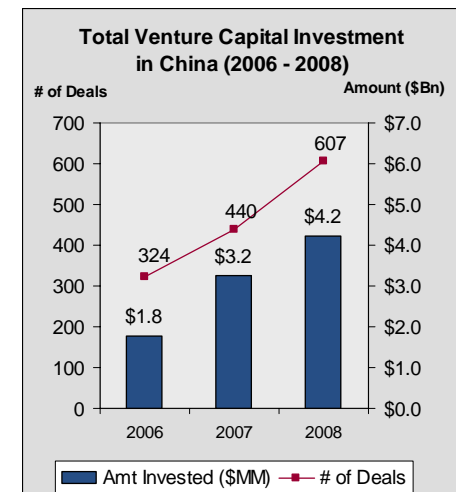
Fujian Peak Group Co., Ltd. produces, markets, and exports sportswear. The company provides basketball and jogging shoes, sneakers, casual working shoes, and hiking shoes; and garments, such as track suits,

windbreakers, rain jackets, ski jackets and pants, motor jackets, beachwear, knitted track suits, and T-shirts. It also offers materials, including nylon, polyester, microfibre, micro peach, cotton jersey and fleece, and French terry; and bags that comprise backpacks and team bags. The company was founded in 1989 and is based in Quanzhou, China.

Source: Capital IQ



Source: Capital IQ



Source: Zero2IPO