

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 to register for the conference or to request more information.



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This Week in China

China's Manufacturing Expands, Adding to Recovery Signs

China's manufacturing expanded for a second month as government stimulus spending stoked a fledgling recovery in the world's third biggest economy.

The Purchasing Manager's Index rose to a seasonally adjusted 53.5 in April from 52.4 in March, the Federation of Logistics and Purchasing said. A reading above 50 indicates an expansion.

The CLSA China Purchasing Managers Index, a closely watched indicator, rose sharply to 50.1 in April from 44.8 the previous month.

The independent reading supported the trend seen in the official PMI.

China's Credit Continues to Exhibit Growth

Loan growth, the aim of stimulus minded governments everywhere, is running at an annual rate of almost 25 per cent in China. Banks made \$280 billion of new loans in March alone. In the Eurozone, by contrast, credit is shrinking.

Manufacturing accounts for more than 40 percent of the economy in China, which saw a setback by evaporating demand for its products in key export markets like the United States and Europe.

The latest data supports the projection by Goldman Sachs that the Chinese economy will grow 8.3 percent this year even as countries from the U.S. to Japan are mired in recessions.

"The worst is already behind China," said Sun Mingchun, an economist at Nomura Holdings Inc. "Domestic strength should outweigh the tougher external environment."

In the manufacturing data, the output index rose to 57.4 from 56.9 in March, and the new order index climbed to 56.6 from 54.6.

Clearly, when Beijing cracks the whip its big, state controlled banks respond, although monetary forces have also been at work.

As interest rate cuts have shrunk the availability of decent yielding securities, banks may have concluded that short term corporate lending was a

The employment index also climbed to 50.3 from 48.6 in March. The overall manufacturing index has gained for five months after falling in November to the lowest since the data began in 2005.

The latest numbers show that "China's economy will continue to recover," Zhang Liqun, an economist at the State Council Development and Research Center, said in a statement released with the data.

Rio Tinto Group, the world's second largest iron ore exporter, said that sales will improve this quarter as China's stimulus measures, including spending on infrastructure projects, spur demand for the steelmaking material.

Source: Bloomberg

better way to earn a profit. Then March threw up more convincing data. Term credit rose, while three to six month commercial paper fell to perhaps a 10th of bank lending.

Still, this does not mean such levels of lending are sustainable, or indeed desirable.

This Week in China (cont'd)

Official rhetoric has even turned distinctly frosty in recent weeks. Officials fret increasingly about credit risk. Lending inspections have also stepped up. Banks may even be pushing out loans while they can, given that lending has already almost hit Beijing's desired \$735 billion minimum quota for the year. First quarter breakdowns are not yet available but anecdotal evidence suggests manufacturers joining in the

scrum to get money while they can.

Beijing is wise to temper this borrowing and lending splurge. With exports down by 30 per cent, capacity utilization rates are already low. Shiny new plants sprouting up everywhere are the last thing the world needs. Nor is an industrial sector that presided over a 37 percent year-on-year drop in net profits in January and February best placed to embark on an investment frenzy.

China Cuts Down on US Debt Purchases

China, wary of the troubled US economy, has already "canceled America's credit card" by cutting down purchases of debt, a US congressman said.

China has the world's largest foreign reserves, believed to be mostly in dollars, along with around 800 billion dollars in US Treasury bonds, more than any other country.

But Treasury Department data shows that investors in China have sharply curtailed their purchases of bonds in January and February.

Representative Mark Kirk, a member of the House Appropriations Committee and co-chair of a group of lawmakers promoting relations with Beijing, said China had "very

legitimate" concerns about its investments.

"It would appear, quietly and with deference and politeness, that China has canceled America's credit card," Kirk told the Committee of 100, a Chinese-American group.

"I'm not sure too many people on Capitol Hill realize that this is now happening," he said.

The Republican lawmaker said that China was justified in concerns about returns from finance giants Fannie Mae and Freddie Mac, which were bailed out by the US government due to the financial crisis.

Kirk said he was the first member of Congress to tour the Bureau of Public Debt, which trades bonds, and was alarmed at how much debt was being bought by the US Federal

For the moment, Chinese banks' non-performing loans are falling, in spite of the cycle, and the inventory of bad debts dropped by some \$2.5 billion in the first two months of the year. Even so, Beijing's new wariness suggests concern about future blow outs and nascent inflationary pressures. Either way, those enviable levels of credit growth are likely to taper off soon.

Source: Financial Times

Reserve due to absence of foreign investors.

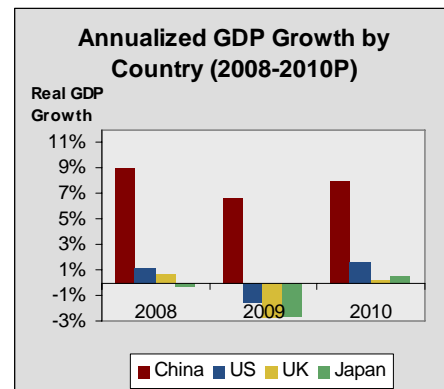
"There will come a time where the lack of Chinese participation may have a significant impact," Kirk said.

"We should track that, because up until last month they were the number one provider of currency to the United States and now they're gone."

With China's economy also hit by the global economic crisis, Premier Wen Jiabao has openly voiced concern about the status of his country's investments in the United States.

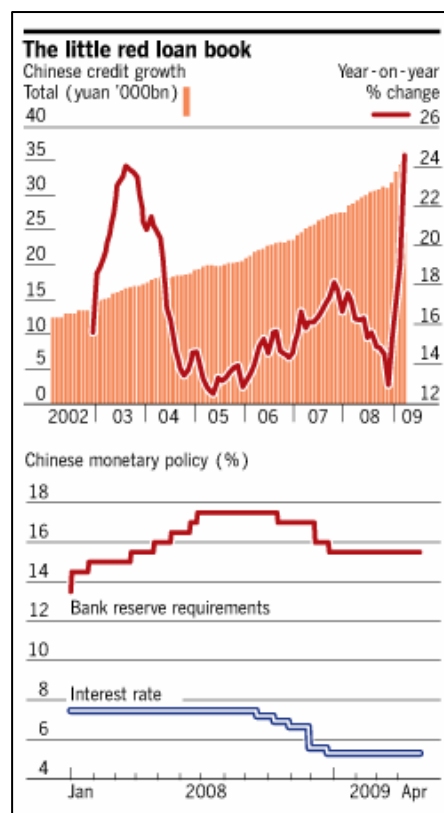
China has also floated replacing the dollar as the key international currency with a basket of units bringing in the euro, sterling and yen.

Source: Associated Press



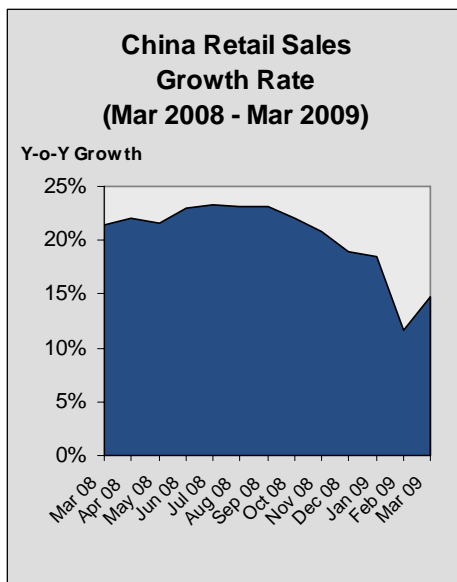
Source: Euromonitor International

"The latest numbers show that China's economy will continue to recover."



Source: Financial Times

Consumer Products / Retail



Source: Bloomberg

"China has been the gold standard on the stimulus package. It was early, large, and well-designed and it's already gotten very substantial results."

China: One Bright Spot in U.S. Companies' Results

U.S. companies are slashing costs, eliminating staff and reporting some of their gloomiest earnings in years, but there is one salve to all the pain – China.

While consumers and businesses in much of the world are throttling back on spending, there are signs that the Chinese economy is pulling out of a short dip in growth and companies that expanded there in recent years are reaping the dividends.

Optimism about China stretches across a wide range of American industry, from mining and construction equipment maker Caterpillar Inc (CAT.N) to KFC-chain operator Yum Brands Inc (YUM.N).

They say its insatiable

Best Buy Lines Up Retail Store Expansion

Best Buy, the largest US electronics retailer, said that it plans to open seven to 12 new stores in China this year, including the sixth outlet to be opened next month in Shanghai's Minhang district.

The expansion plan also includes its wholly-owned Jiangsu Five Star Appliance stores. "We will open several hundreds of Five Star outlets between the next five to 10 years," said Bob Willett, Chief

Executive Officer, Best Buy International. Willett said the Five Star expansion plan has been fast tracked after it purchased the balance 25 percent stake for about \$185 million in February. Prior to that, Best Buy had invested \$184 million in 2006 to acquire a 75 percent stake in Five Star. Willett said that a number of new Five Star outlets are already in the pipeline and "significant investment" has made to set up

appetite for everything from heavy machinery to fast food – due in part to the \$586 billion Chinese government stimulus package – is stabilizing the market and providing a growth outlet just when they need it most.

"China has been the gold standard on the stimulus package. It was early, large, and well-designed and it's already gotten very substantial results," said Nicholas Lardy, a senior fellow at the Peterson Institute for International Economics.

Signs that the Chinese economy is heading back to much higher growth rates over the rest of the year have resounded through the earnings season.

Coca-Cola Co (KO.N) CEO Muhtar Kent said that first-quarter soft-drink sales rose 10 percent by

volume in China, its third largest market, but fell in Europe.

"Very healthy," Kent said, adding that the world's largest soft drink maker has a \$2 billion investment program in China over the next three years.

China is expected to be the first major economy to recover from the financial crisis that has decimated business worldwide.

Ambitious Western companies such as fast-food giant Yum are determined to profit. Calling China the "largest restaurant opportunity of the 21st century," CEO David Novak said the company will invest more than \$1 billion in new capital in China in the next three years.

Source: Reuters

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the IT infrastructures at Five Star.

Jiangsu province will still be the major focus for the retailer, while Best Buy brand will continue to concentrate on Shanghai before expanding into other cities.

The electronics giant currently runs five standard and one lifestyle store in Shanghai, apart from a premium store in Beijing, whereas Five Star has 170 outlets across the country.

Source: China Daily

Metals and Mining

China Still Driver of Commodity Demand

Last autumn's sudden collapse in commodity prices left a lot of China bulls with egg on their faces. Didn't China's insatiable demand, driven by a long term process of urbanization and rising incomes, guarantee the good times would roll for another two or three decades?

For the past seven years, commodity prices were essentially considered a simple function of Chinese demand. As the world's top consumer of aluminum, copper, lead, nickel, tin, iron ore, steel, coal, wheat, rice, palm oil, cotton and rubber, China was thanked (and blamed) for heralding a new era of inflated raw material prices. After the commodities crash, this theory appears in tatters.

But after the rest of the world stabilizes and excess production capacity is absorbed, China will again emerge as the key driver of global demand. The pace and scale of industrial and urban development in China should drag up commodity prices once again. China's enormous size renders its urban

growth even more significant for global markets than was Japan's in the 1960s and 1970s.

The pace of urbanization in China, largely driven by rural migrants fleeing the fields for a better life in the city, is unprecedented. In 1980 a paltry 20 percent of Chinese citizens lived in urban areas, a figure associated with the poorest countries on earth. By 2030, when more than 1 billion Chinese citizens will live in towns and cities, that figure will reach 70 percent – a higher proportion than in Japan or Italy today.

A recent study by the McKinsey Global Institute forecasts that 100 new cities with populations of 500,000 to 1.5 million will mushroom across the country over the next 15 years; these will be joined by a further 60 new mid-sized cities with populations of 1.5 million to 5 million. By 2025, current trends suggest that six new cities – Tianjin, Guangzhou, Shenzhen, Wuhan, Chongqing and Chengdu – will join Beijing and Shanghai with real urban populations exceeding 10 million.

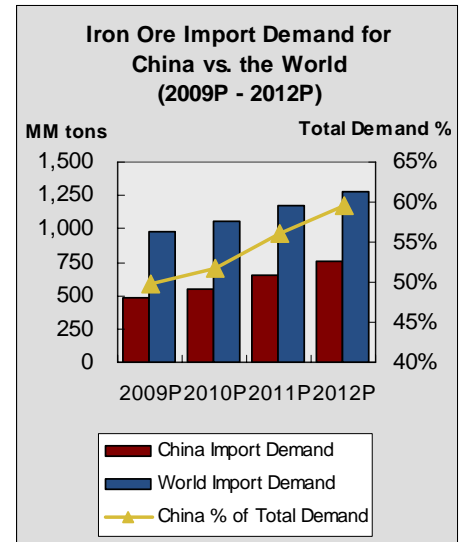
As China's growth and urbanization continues for

another couple of decades, Chinese demand for commodities will rise substantially – especially hard commodities used for building houses and roads. China has only just begun the most commodity intensive stage of urbanization, with metal intensity four times higher than in developed countries and twice as high as in other developing countries, according to the World Bank.

The uptick in metal intensity, which began in the mid-1990s and accelerated at the beginning of the 2000s, correlated with an increase in the urbanization rate from 30 percent to 40 percent. In 2007, more than 50 percent of Chinese steel and 44 percent of copper demand was consumed by the construction and infrastructure industries. Metal intensity growth is projected to peak along with the population growth rate around 2015, but will remain high through 2030.

Global commodity markets have tanked and Chinese demand has temporarily stuttered. The hungry dragon is not yet sated – he's just pausing between courses.

Source: Financial Times



Source: Morgan Stanley

Recent Transactions

Chint Solar Closes New \$50 Million Financing

Chint Solar announced that it has successfully closed a \$50 million round of fundraising – in the worst global financial conditions in decades – from a syndicate of global investors.

Cybernaut and Shanghai Alliance Investment Limited were lead investors in this round. A number of notable overseas and domestic funds formed the rest of the syndicate.

Founded in 2006 as a

subsidiary of the Chint Group, China's leading electrical and power conglomerate, Chint Solar reached 100 MW of production capacity in July 2008, and is on track to increase exponentially to 1,100 MW production capacity by 2012.

Chint Solar's main product line features both thin film and crystalline silicon photovoltaic cells and modules. The company has made an aggressive push to focus its business on amorphous micro-crystalline (a-Si/ μ -Si)

tandem junction thin film, a next generation solar technology with dramatically lower costs-per-watt than conventional crystalline silicon.

Through a-Si/ μ -Si thin film, Chint Solar expects to be among the first companies in the world to reduce PV module cost to below \$1 per watt, and total PV system cost to below \$2 per watt, a critical industry benchmark known as "grid parity".

Source: *peHub*

Fortescue Metals to Tap China For More Financing

Fortescue Metals Group Ltd. (FMG.AU) is open to tapping China for more financing as it develops its relationship with the world's largest iron ore consumer, Russell Scrimshaw, executive director of the Australian iron ore miner, said.

Scrimshaw's comment comes after Fortescue Chief Executive Andrew Forrest said his firm is talking to Chinese capital providers and could still look to tap Chinese debt markets.

Scrimshaw said Fortescue has long been in contact with Chinese financial institutions, including sovereign wealth fund China Investment Corp., as part of its efforts to develop its business and

build relationships in the country. "

"These things are about developing a proposition that works for both partners and developing a trust and developing a relationship," Scrimshaw said.

Scrimshaw said Fortescue's "reciprocal relationship" with China already includes equity investment by a Chinese steel mill into Fortescue and A\$1 billion worth of equipment purchases by Fortescue from China over the years.

Fortescue wants to raise its iron ore output to 55 million tons per annum as quickly as it can and aims to compete with bigger rivals like BHP Billiton Ltd. (BHP), which produce at least triple that amount.

As part of its overall goals, Scrimshaw said Fortescue is going to need China

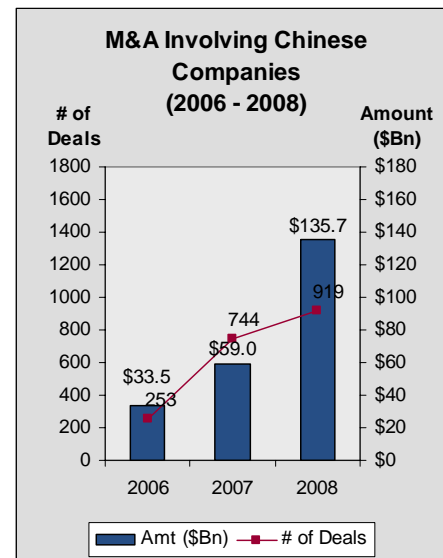
financing and support from Chinese steel mills.

"It helps if China has some (share) of your success," he said in a speech when discussing Fortescue's strategy in China. He said one realization Fortescue had as it developed its business in China was that "you need friends and partners who will push for you behind the scenes."

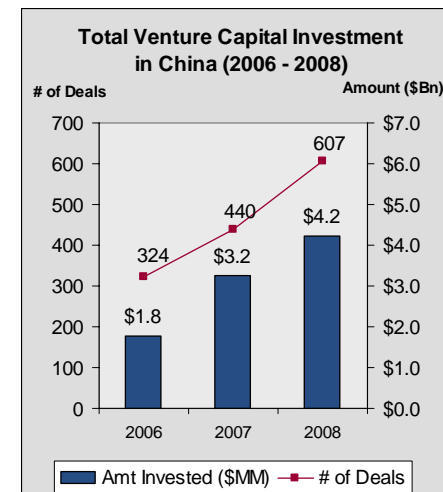
China's economic planning agency recently approved the deal to allow Hunan Valin Iron & Steel Group to buy 260 million new shares in Fortescue at A\$2.48 each to raise A\$644.8 million for the Perth-based iron ore miner.

Scrimshaw said Hunan Valin now has a 17.3% stake in Fortescue, and one board seat.

Source: *Dow Jones*



Source: Capital IQ



Source: Zero2IPO