

Adam Roseman, CEO
+1 (310) 402-5901
AR@arcchina.cn

Shanghai Office

Bund 23
The Bank of China Building, 14/F
23 Zhongshan East No.1 Road
Shanghai 200002, P.R. China

Chengdu Office

Suite 2603-11
Level 26, Building A, Times Plaza
No. 2 Zongfu Road
Chengdu 610016, P.R. China

Los Angeles Office

9440 Little Santa Monica Blvd.
Suite 401
Beverly Hills, CA 90210

New York Office

590 Madison Avenue
26th Floor
New York, NY 10022

This Week in China

China Sets Ambitious Agenda to Address Climate Change

Chinese President Hu Jintao's address at the United Nations Summit on Climate Change last week set a new tone for his country's commitment to reducing carbon emissions and investing in clean energy. "At stake in the fight against climate change are the common interests of the entire world," Hu said. "Out of a sense of responsibility to its own people and people across the world, China fully appreciates the importance and urgency of addressing climate change."

In his speech, Hu outlined four measures that China will endeavor to achieve by the year 2020 through the country's newly adopted National Climate Change Program.

The first measure focuses on ramping up energy conservation measures, improving energy efficiency and striving to cut carbon dioxide emissions per unit of GDP by a "notable" margin. Second, Hu promised to "vigorously develop" renewable energy and nuclear

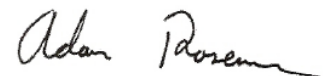
energy to work toward the goal of generating 15% of China's energy needs from non-fossil fuel sources by 2020. In an effort to increase forest carbon sink, he also plans to plant forests to increase forest coverage by 40 million hectares and forest stock volume by 1.3 billion cubic meters. In his fourth proposal, Hu stated that China "will step up effort to develop the green economy, low-carbon economy and circular economy, and enhance research, development and dissemination of climate-friendly technologies."

Though some discounted Hu's speech as overly vague, others applauded his commitment to joining the fight against climate change as the first Chinese President to visit the UN General Assembly in over 40 years.

Hu's declaration that his country would set its first carbon target for 2020 was seen as an important indicator of China's willingness to play a role in negotiations towards a global climate change treaty in Copenhagen. The proposal for a carbon-intensity target was seen

as the highlight of a speech that largely included a summary of measures that have already been announced by the Chinese government to combat climate change.

While setting an initial carbon target may help encourage domestic companies to reduce their reliance on coal, more specifics will be necessary to exact the monumental change required for China's movement toward a low-carbon economy. It is clear that the realization of these large-scale changes will hinge on just how far China is willing to move toward sustainable energy policy and away from their current energy-intensive model of growth. If President Hu's level of commitment thus far is any indication, China is headed in the right direction. ARC China's 2009 investments into US publicly-traded China sustainability companies NFEC and CREG are a testament to this belief.



Adam Roseman,
Founder & CEO
ARC China

This Week in China (cont'd)

Lucrative Chinese IPOs Lead the World

Chinese companies listing on the mainland and in Hong Kong have raised 4x more than European and US issuers combined so far this year, highlighting the strength of investor appetite for initial public offerings in the region.

Chinese issuers have raised \$21.9bn this year compared with a combined \$5.4bn raised by European and US issuers. Asian issuers have raised a total of \$28.4bn since January.

The world's two largest

China to Further Improve Supervision System of Capital Flow

China's foreign exchange regulator expressed that it will strengthen the management of capital flows, preventing massive capital outflow and influx in a bid to safeguard the country's financial security amid a global economic downturn.

State Administration of Foreign Exchange (SAFE)

State Council Passes Plan to Boost Central Region Development

Central China provinces should achieve remarkable economic progress by 2015, according to a plan by the State Council.

The central areas involve Shanxi, Anhui, Jiangxi, Henan, Hubei and Hunan provinces. These are the country's major grain output bases, energy raw

IPOs this year came from China State Construction Engineering and Metallurgical Corp of China (MCC).

MCC initially rose as much as 38 per cent in Shanghai amid a sell-off in the broader market. The rise was modest compared with the huge first-day gains seen on the mainland in recent years.

China State Construction Engineering, the world's largest IPO this year, saw its shares surge as much as 90 per cent when it started trading in Shanghai in July.

said it will place priority on facilitating a balance of international payments as there are still uncertainties in international capital flows and international payments.

The SAFE vowed to enhance the statistical and supervisory system for cross-border funds, and to continue to optimize the emergency mechanism of international payments.

It pledged to promote production materials production areas, equipment manufacturing centers and transport hubs.

The layout stresses efforts to promote modern agriculture, energy raw materials, equipment manufacturing and high technology in the central areas.

Traffic resources will be optimized and economic zones will be formed along the Yangtze River

MCC raised Rmb18.97bn (\$2.8bn) from Shanghai in the city's second largest listing this year. In Hong Kong, where it launched the biggest IPO this year, MCC sold HK\$18.2bn (US\$2.3bn) of stock.

The engineering group is the latest of a series of companies to list in China this year after the government lifted a nine-month IPO ban in June. The 23 new listings in Shanghai and Shenzhen this year on average registered gains of 68 per cent on the first day of trading.

Source: Financial Times

duct innovation in the foreign exchange market, offering more risk-avoiding tools to enterprises.

It will also provide more convenience to legal foreign exchange business activities of all kinds of market players, stepping up to improve the cancel-after-verification mechanism in receiving and payments in the country's import and export business.

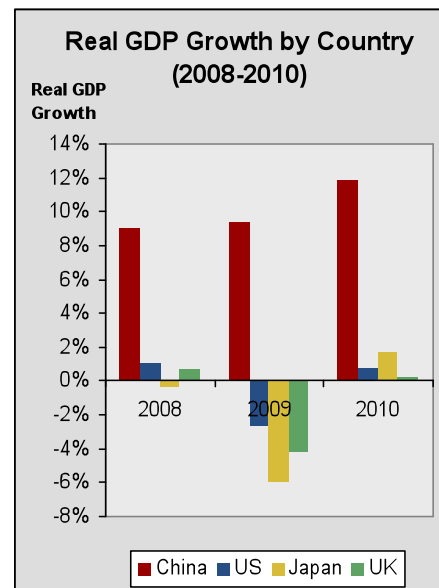
Source: China Daily

and major railway trunks running through central China.

The plan also stresses green economy, farmland protection and water-use efficiency.

More efforts will be spent on education, cultural and sports undertakings, public health services, social security and other reforms in the provinces.

Source: Xinhua News



Source: Goldman Sachs; Euromonitor

Chinese issuers have raised \$21.9bn this year compared with a combined \$5.4bn raised by European and US issuers.

This Week in China (cont'd)

China Rolls Out Policy to Promote Development for SMEs

China State Council, issued a document to strengthen support for the development of the country's small-and-medium-sized enterprises (SMEs).

The government will deepen reforms in the country's monopoly industries, lowering the market access threshold for the SMEs and creating a more open and fair competition environment for SMEs.

The government will optimize its procurement mechanism, raising purchase

ADB Extends \$100 Million to Develop Small Cities, Towns in China

China's drive to develop smaller towns and cities in a balanced, environmentally sustainable way is getting support from a \$100 million ADB loan.

The funds will be used for infrastructure projects in China's Liaoning province, which, with a population of nearly 43 million, is looking to revive its economy and provide new jobs in the wake of the closure of many state-owned heavy industries in recent years and a surge of migrants from the countryside as farm work declines.

As part of its current five-year national economic plan, the government has earmarked the development of small cities and

proportion of commodities, engineering and services from the SMEs.

The government will grant a one-year reprieve on social security fund to the SMEs in operational difficulty amid the global financial crisis, in a bid to reduce financial burdens and protect the interests of the SMEs. It will expand channels for the SMEs to raise capital through encouraging banks to lend more to the SMEs, stepping up making policies to guide private capital to tap into the country's financial system.

The government will increase tax breaks to the

towns to generate jobs for rural migrants and to reduce the urban-rural income gap, while helping relieve the pressure on water, sanitation and other key services in the major cities.

The demonstration project will support Liaoning's own five-year development plan by funding infrastructure development in about seven cities and towns, including roads, bridges, drainage, water and sanitation services.

It will also help build up the project and environmental management capacities of provincial, municipal and county agencies, and provide an example for sustainable development that can be replicated. The Liaoning Project is one of three

small firms with an annual taxable income below RMB 30,000 (\$4392.4) from Jan. 1 to Dec. 31 of 2010.

The government will also encourage the SMEs to improve their technological innovation capacities, enhance the product quality, and promote development in energy conservation and clean production.

The central government will earmark RMB 9.5 billion (\$1.4 billion) in 2009, nearly doubling the RMB 4.9 billion last year, to help the SMEs innovate technology and explore the market.

Source: China Daily

small cities and towns development projects that ADB is financing (the others are in the north-eastern provinces of Hebei and Shanxi).

ADB's loan has a 26-year term with a six-year grace period with pricing based on ADB's LIBOR-based lending facility. It will cover 42.3 percent of the total project cost of \$236.5 million.

City and county governments in Liaoning will provide the remainder, along with a \$250,000 grant from the ADB-administered Water Financing Partnership Facility, which has contributions from the governments of Australia, Austria and Norway.

Source: Xinhua News

Alternative Energy

Duke Energy, ENN in Clean Energy Venture

Duke Energy, the third largest power utility in the US, signed an agreement with privately-owned ENN Group of China to accelerate the development of low-carbon and clean energy technologies.

The agreement includes potential development of commercial solar projects, such as solar power plants and solar component manufacturing facilities.

The agreement also encompasses joint technology development in coal-based clean energy, bio-fuels, natural gas, smart grid, energy efficiency and carbon-capturing algae.

China is leading the world in investing in clean energy and greater progress can be made by joining forces and working together,

said Duke Energy CEO Jim Rogers.

Wang Yusuo, chairman of ENN Group said the company's mission is to produce energy that pollutes less, conserves more and protects the environment.

ENN supplies natural gas to approximately 20 million homes and businesses in China. It also has growing subsidiaries around the world working on an array of renewable energy technologies and zero emission coal-based power, carbon capture technologies and bio-energy.

Duke Energy and ENN are launching a series of meetings to share information, view technology demonstrations and develop "best practice" models.

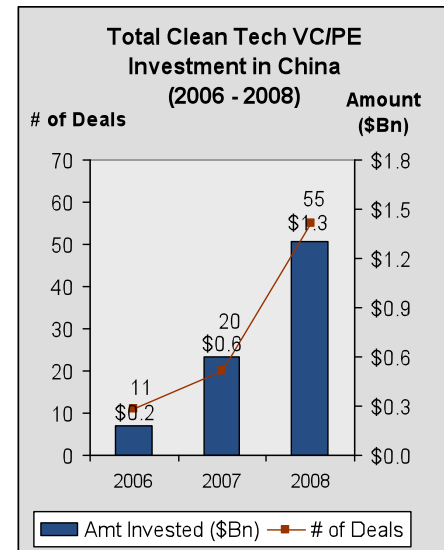
The companies are also evaluating a partnership to

pursue the commercial development of "utility-scale" solar photovoltaic projects in the US.

The announcement follows a similar MOU signed in August in Beijing between Duke Energy and China Huaneng Group, China's largest electric utility, encompassing high-level discussions and information-sharing on a number of renewable and clean-energy fronts.

According to China Greentech Report 2009, jointly issued by the PricewaterhouseCoopers and American Chamber of Commerce, China's green technology market would attract more investment and estimated a market with a potential value up to \$1 trillion annually.

Source: China Daily



Source: Zero2IPO

"China's green technology market would attract more investment and estimated a market with a potential value up to \$1 trillion annually."

Rudong to Set Up More Clean Power Projects

Domestic and overseas investors decided to invest RMB 60 billion (\$8.7 billion) for over 40 projects in Rudong county, Jiangsu province.

Most of the new projects are in power, energy and for manufacture of generating units, and are part of the nation's efforts to build clean energy bases.

Jiangsu has got approval from the central government to build seven wind power farms with a combined capacity of 1,250 MW generating

units by 2010, which may cost RMB 10 billion.

Rudong has established the largest wind power farm in Asia on an area of 200 hectares with a capacity to generate 1,000 MW of electricity. The county is also setting up a new RMB 420 million wind power project as part of the new deals signed.

With abundant wind resources along its 106-km coastline, Rudong plans to install 4,120 MW wind power generating units including 620 MW for land farms, 2,500 MW for sea farms and 1,000 MW for tide generation.

The county has injected RMB 14 billion into the projects to build wind power farms with a capacity of 970 MW generating units. A 250 MW wind power farm that commenced operations recently has been able to save nearly 330,000 tons of standard coal annually used for thermal power plants.

A total of 264 generating units with a combined 420 MW generating capacity will be installed by the end of this year.

Source: China Daily

Consumer / Retail

Ford to Beef Up China Presence with Third Plant in Chongqing

Ford Motor Co is boosting its bet on China with a new factory and models as it tries to catch General Motors Co.

CEO Alan Mulally is traveling to China to break ground on Ford's third plant in the country.

"China had been an afterthought for previous management at Ford, but Mulally realizes how important it is," said Brian Johnson, a Chicago-based Barclays Capital analyst who has a "neutral" rating on Ford. "This is more of a five-year move than something that will move the dial this year or next."

Ford, the second-largest

US automaker, ranks 12th in China with 2.8 percent of sales, according to auto researcher JD Power & Associates. GM, which emerged from a US government-sponsored bankruptcy, outsells Dearborn, Michigan-based Ford by 3-to-1 in the country, building twice as many vehicles.

The new factory in Chongqing, southwest China, will produce high-end sedans and sport-utility vehicles. It will have annual capacity of as much as 300,000 units.

Ford already has a plant in Chongqing with Chinese partner Chongqing Chang-an Automobile Co, and had a 30-percent rise in sales in the first eight months of this year,

replacement will drive the demand for energy-effective and environment-friendly air-planes. The Asia Pacific, including China and India, is forecast to account for 31 percent of demand, followed by Europe at 25 percent and North America at 10 percent over the next two decades.

The world's aviation market will decline 2 percent in 2009 and increase 4.6 over the next year amid a gradual economic recovery.

China's civil air transportation continued recovering in August, with three major production indicators keeping a rapid growth in

helped by new models and the government's stimulus spending.

The high-end sedan will give Ford a car to compete against GM's Buick models, while the sport-utility vehicle will capitalize on demand for that category in China.

"It might seem counterintuitive that as the rest of the global auto market is downsizing Ford is upsizing in China," Johnson said. "But it makes sense because there is more room to grow in the high-end of the Chinese market."

China has been a bright spot for GM, with its sales in the country rising 24 percent this year through July.

Source: China Daily

the month, according to statistics with Civil Aviation Administration of China (CAAC).

In August, China's total air traffic turnover obtained a month-on-month growth of 7.4 percent and a year-on-year growth of 30.6 percent. The passenger traffic turnover registered growth of 7.6 percent on month and 41.6 percent on year. The cargo traffic turnover posted month-on-month growth of 8.6 percent and year-on-year growth of 18.1 percent.

As of September 12, the country's civil aviation industry had realized RMB 8 billion (\$1.17 billion) of profit this year.

Source: China Economic Net



Source: Bloomberg

In August, China's total air traffic turnover obtained a month-on-month growth of 7.4 percent and a year-on-year growth of 30.6 percent.

China's Aviation Market to Expand 7.9%

Airbus SAS, the world's largest maker of commercial aircraft, said that China's aviation market will see an annual increase of 7.9 percent in the next 20 years, following India to become the world's second fastest growing market.

India's aviation market is forecast to have a 10 percent growth annually over the next two decades.

A total of 25,000 new planes worth \$3.1 trillion will be delivered between 2009 and 2028 in the global airline market. Emerging economies, airline expansion, and fleet

Recent Transactions

Geely to Issue \$334MM Bonds, Warrants to Goldman

China's Geely Automobile Holdings plans to raise HK\$2.59 billion (\$334 million) in convertible bonds and warrants to an affiliate of Goldman Sachs.

Goldman could end up with 15.1 percent of the Hong Kong-listed Geely if it fully converts the bonds and warrants.

Geely said it will issue HK\$1.897 billion (\$245 million) worth of 3 percent convertible bonds due 2014 to GS Capital Partners VI Fund L.P., an affiliate of Goldman Sachs.

The bonds will be attached with 299.53 million warrants which each has a right to convert into Geely shares at HK\$2.30 per share.

The bonds are convertible into 998.42 million Geely shares at a conversion price of HK\$1.90 each, representing a 6.1 percent premium over the previous close prior to a trading suspension.

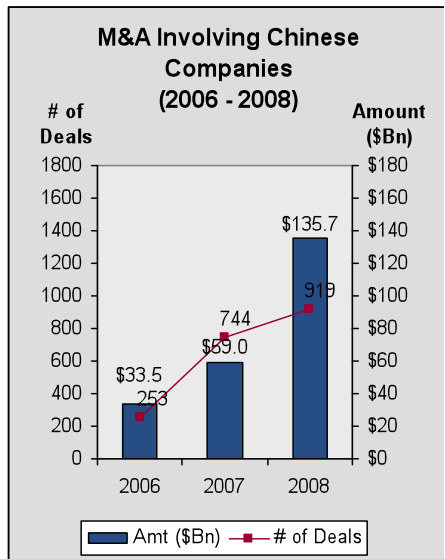
Geely, whose parent is considering bidding for Ford's Swedish car brand Volvo, said the proceeds will be used to fund capital expenditure and potential acquisitions, as well as for general working capital.

The fund-raising will allow Geely to buy new car plants being developed by its parent, Geely Holdings Group Co, in cash and thus free up capital from its parent for any possible acquisitions.

Geely, China's 10th largest vehicle maker which competes against Chery Automobile and other local brands, has said it plans to nearly double its car-making capacity to 685,000 units a year in the next few years.

The bonds could also give Goldman exposure to China's fast growing auto market, the world's largest.

Source: China Daily



Source: Capital IQ

CIC Buys Noble Stake, Seeks Commodities Expertise

China Investment Corp, a US\$200 billion sovereign wealth fund, has bought a 14.5 percent stake in trading firm Noble Group (NOBG.SI) for US\$850 million, giving China greater exposure to global commodities and trading expertise.

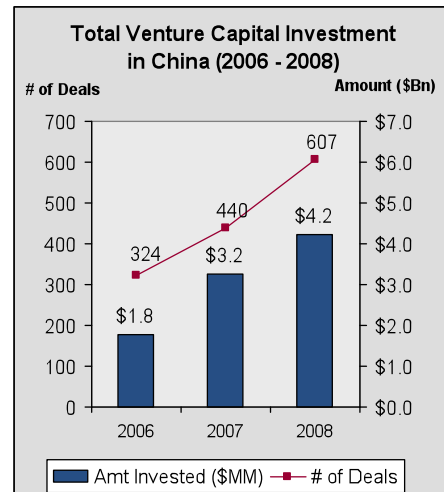
Noble, with interests from Brazilian sugar to Australian coal, is the only major global commodity trading house with a public listing, compared to privately-held but bigger rivals such as Glencore, with which CIC has concluded a cooperation agreement.

CIC's small, direct stake in Noble means the wealth fund is likely to play a hands-off role in running

the business, while maintaining a role as financial investor. But the pact with Glencore will help CIC get more deeply into commodities trading.

The placement is subject to approval by the Noble and CIC boards. Bank of America-Merrill Lynch acted as placement agent to Noble and JPMorgan advised CIC.

Source: Zero2IPO



Source: Zero2IPO

China Approves Hebei Steel Merger Plan

China has approved the merger of Tangshan Steel with Handan Steel and Chengde Xinxin Vanadium & Titanium Co., paving the way for Hebei Steel, their parent, to become the country's second largest steelmaker.

After consolidation, Hebei Steel will have a total

capacity of 330 million tons annually, ranking second in China and the fourth in the world.

Hebei Steel will inject the assets of Xuansteel and Wuyang Steel into the listed Tangshan Steel one year after the consolidation.

Xuansteel and Wuyang Steel are two high-quality subsidiaries of Hebei

Steel, mainly producing steel plates and long steel products.

The new firm will have an aggregate market value of about \$4 billion.

The consolidation could bulk up China's bargaining power in negotiations with the three global mining giants, Vale, BHP Billiton and Rio Tinto.

Source: Lange Steel