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This Week in China

China to Reallocate Stimulus Spending to Spur Consumption

As described in a recent HSBC report, China will shift its stimulus spending away from new infrastructure to education and healthcare in 2010.

With GDP growth hitting 10.7% in Q4 2009, Beijing policymakers are now focusing on ensuring that the recovery creates more balanced growth. Switching spending to education and healthcare is seen as key to achieving this goal.

Over 70% of the RMB 4 trillion stimulus package was put into infrastructure projects in 2009. This ratio should come down to around 40% in 2010, with the rest being spent on education, healthcare and other areas that encourage domestic consumption.

The substantial increase in government spending on education and healthcare, along with easier access to credit, will reduce the household savings rate by about 5% in the next 3 years. There are many reasons for the household sector's high savings rate of 35%. Some, such as demographic trends, are structural and will take

decades to change. However, concerns about the rising cost of education and medical care as well as borrowing constraints contribute around 30% to the high rate of savings. The substantial increase in fiscal spending on education and healthcare and a rise in consumer financing should persuade people to start saving less and spending more.

Rising private consumption in China will occur in both urban and rural locations. Urban consumers are likely to continue to spend on cars, their homes and other durables while increasing spending on services.

Rural consumption will focus on better quality food, home appliances, telecommunications and transport.

The central government recently finalized a plan to overhaul the healthcare system that involves a total of RMB 850 billion in new spending (RMB 330 billion from the central government) by governments at all levels over the next 3 years.

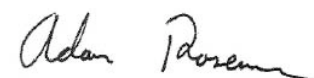
The plan should put 90% of the population under basic medical insurance coverage by the end of

2011. This will be done by expanding coverage of basic medical insurance schemes for urban residents and a new co-operative medical scheme for rural residents. An urban resident would be covered up to a maximum of six times the local average urban disposable income or annual salary, depending on the scheme; the ceiling for rural residents equals six times average net income.

China has also started rolling out its basic medicine system to provide the public with much-needed drugs and drive down prescription costs. The NDRC unveiled guidance in October, cutting the prices of listed medicines by 12%.

It has been well documented that the Chinese government recognizes the need to boost consumption at home and the expected shift in the allocation of stimulus spending falls in line with that goal.

ARC China's core investment thesis is devoted to benefiting from these trends of increased consumption that will strengthen over the next few years.



Adam Roseman,

Founder & CEO

ARC China

This Week in China (cont'd)

China's Retail Sales Up 17% During Spring Festival

China's retail sales hit RMB 340 billion (\$49.8 billion) during the "golden week" of Spring Festival, up 17.2 percent over the same period of last year, the Ministry of Commerce (MOC) said.

Boosted by various sales promotion activities, the

China To See More Capital Inflow This Year

China will see more capital inflow in 2010, due to the expected appreciation of the renminbi and relatively high interest rates in the county, said Yi Gang, director of the State Administration of Foreign Exchange.

Yi said that the balance of international payment

Orix Corp's China HQ To Be Dalian

Japanese financial service group Orix Corporation announced plans to set up its China headquarters in Dalian, Liaoning province, in a bid to tap into the nation's growing financial markets.

Established with an initial registered capital of \$92 million, Orix (China) Investment Co Ltd expects to invest up to \$3.2 billion in China over the next three years and eventually transform into a localized financial service group with total assets of \$14.7 billion.

"It's a historic step for us. We are going to commit

weeklong Spring Festival holiday, which started from Feb 13 this year, is China's closest equivalent to the West's Christmas shopping season.

Food, tobacco and liquor were in great demand during the festival. Sales of food by China's major retailers grew 16.5 percent year-on-year, while sales of tobacco and

surplus will also rise this year.

During the period from 2003 to 2009, China's foreign exchange reserves increased by \$280 billion per year, said Yi.

The country's balance of payments surplus dropped to \$393.2 billion last year from \$418.9 billion in 2008, according to latest statistics released by the ourselves to China's financial industry as well as the infrastructure, ship and airplane leasing, and the new energy industry," said Yoshihiko Miyauchi, CEO of Orix Corporation.

Orix also plans to establish an investment fund of \$7.4 billion in cooperation with the Dalian government to help Chinese companies in overseas mergers and acquisitions over the next three years.

Last month, Orix spent \$87 million to acquire a 15-percent stake in Dalian-based Haichang Group, which operates in industries including real estate, tourism and

liquor were up 13.2 percent.

Communication equipments, jewelry, garments and home appliances were also customers' hot choices, sales of which soared 19.2 percent, 19.1 percent, 17.7 percent and 15.4 percent, respectively.

Source: China Daily

SAFE.

The country's current account surplus plunged 35% year on year to \$284.1 billion in 2009, while its surplus under the capital and financial account, soared to \$109.1 billion, including \$36.5 billion in net foreign direct investments.

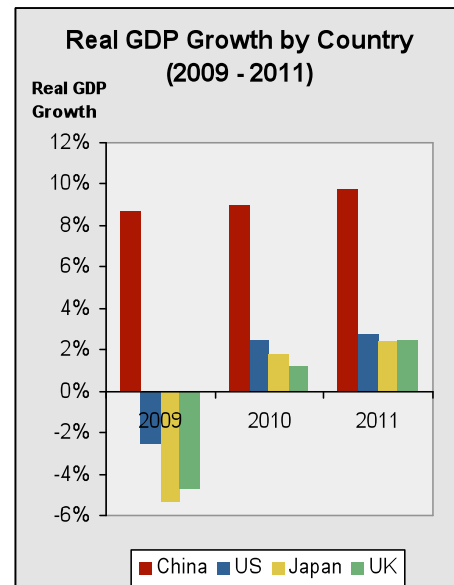
Source: China Knowledge

shipbuilding. The two sides will jointly establish a shipbuilding management firm and develop products valued at \$2.9 billion this year.

The Japanese company also expressed a strong interest in listing on Shanghai's international board that is set to launch this year.

Meanwhile, Orix is eyeing the new energy industry in China and will cooperate with Chinese investment companies including CITIC Group to invest in wind power companies.

Source: China Daily



Source: Euromonitor

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This Week in China (cont'd)

China Will Test the WTO's Dispute Settlement System

In 2009 China overtook Germany to become the world's largest exporter. Exactly half the trade disputes that were filed at the World Trade Organization (WTO) last year involved China. These facts are not unrelated. As Pascal Lamy, the WTO's chief, pointed out in January, the scope for trade friction increases as countries trade more. Disputes between China and other countries are only to be expected.

Mr. Lamy did not have to wait long for evidence to back up his claim. On February 8th China complained to the WTO about the European Union's anti-dumping duties on Chinese-made shoes. This latest fracas over footwear follows recent complaints by the Chinese about restrictions on its exports of steel fasteners, car tires and poultry. Having initiated just two disputes between joining the WTO in 2001 and September 2008, China has complained to the WTO another five times since then. Marc Busch of Georgetown University in Washington, DC, says that China has moved from "learning by watching", where it mainly observed others' trade tussles, to being an active participant in formal dispute settlement.

China's increasing propensity to bring disputes to the WTO is

part of a broader shift. Although the average number of formal disputes per year has fallen since 2001, this is principally because rich countries spend less time fighting each other. Between the WTO's founding in 1995 and the end of 2000, America and the EU initiated exactly half of the cases brought to the WTO. But between 2001 and 2008 they brought only 27.2% of cases. Over half were initiated by developing countries.

There are grounds for confidence. Unlike dispute settlement under the previous world trade regime, countries cannot simply brush away verdicts handed down by the WTO. If a country fails to comply with a ruling, the WTO can permit the complainant to hit back, for instance by restricting its adversary's access to its own market. Crucially, even when it does give permission to strike back, the WTO limits the amount of retaliation based on the damage caused, preventing small skirmishes over a few million dollars of trade from becoming outright trade wars. Mr. Busch points out that nearly 70% of disputes are settled by negotiation, presumably to the satisfaction of both parties.

The credible threat of WTO-authorized retaliation also deters countries from using trade barriers that are likely to be challenged. Chad Bown, a trade economist at the

World Bank, has found America was less likely to slap anti-dumping duties on trading partners who were themselves big markets for American exporters. This does point to one obvious problem with the system: an aggrieved country with too small a market credibly to threaten serious retaliation against a big country has limited leverage. Even if it has cause for complaint, such a country is unlikely to file a case.

That ought not to be a big problem for China and America or the EU, which value each other's markets. But Mr. Bown argues that America or the EU may still find disputes with China tricky. Countries often threaten to target their retaliation against politically-sensitive products, hoping that their manufacturers will convince their own governments to change course. But this sort of strategy may be more difficult in a dispute with undemocratic China. Exports derived from subsidiaries of American-based multinationals are clearly not good targets for retaliation. American consumers will be unhappy if disputes raise the prices of cheap Chinese exports. For its part, China may not import enough consumer goods to make its threats of retaliation credible. More disputes may be inevitable; resolving them successfully is not.

Source: *Economist*

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This Week in China (cont'd)

China Fund In Private Equity Push

China Investment Corp, Beijing's sovereign wealth fund, has agreed to invest \$1.5bn in the private equity secondary market through custom accounts with three of the biggest specialists in buying second-hand buy-out and venture capital fund interests.

Lexington Partners, Goldman Sachs and Pantheon Ventures have each agreed to manage \$500 million for CIC through special accounts, which are to be kept

separate from their main funds. The move is the biggest injection of capital into the secondary market. It underlines how CIC is using its size to win special terms from private equity groups, including lower fees and transfer of knowledge on specialist markets.

CIC, advised by Step Stone, Credit Suisse and Parish Capital, has spent a year assessing and meeting about 30 secondary managers. Some of the biggest secondary private equity investors found themselves unable to take

CIC's money because of concerns about conflicts between the custom account it was demanding and their other investors.

Yet private equity executives expect more special accounts. Fundraising for private equity groups fell by 60 per cent last year to a five-year low of \$245.6bn, according to Preqin, the research group.

As the flow of money has dried up, the balance of power has shifted to investors.

Source: Financial Times

China's SMEs Need Efficient Financing Channels

Small and medium-sized enterprises are important to economic development and social stability. There are more than 42 million SMEs in China, and they account for 99.8% of the total number of enterprises in China.

According to data provided by the SME department, SMEs account for 60% of the

China's total industrial output value, 57% of the total sales revenue, 40% of profits and taxes, 60% of the total export volume, over 90% of retail outlets and about 75% of urban employment opportunities.

SMEs are responsible for 66% of patented inventions and 74% of technological innovation, as well as more than 80% of new products. They provide 40% of the intermediate products and

supporting services needed by large enterprises.

However, SMEs are hindered by lack of capital.

The government's awareness and understanding of SMEs' difficulties has been lacking. SMEs seek funds and loans, but banks were reluctant to provide funding without substantial collateral.

Source: China Knowledge

Shaanxi To Boost Energy Equipment Manufacturing Industry

Shaanxi Province will become an important base for the energy equipment manufacturing industry in China, according to the plan issued by the Shaanxi Development and Reform Commission recently.

The provincial economic

planner expects the gross output of the energy equipment manufacturing industry to reach RMB 260 billion in 2010, and the average annual growth rate to hit 35%.

The government will focus on the development of five key industry leaders, including China XD Group, Shaanxi Blower (Group) Co, and the State Nuclear Baoti Zirconium

Industry Co.

In 2008, the combined output of energy equipment manufacturers above designated size in the province amounted to RMB 78 billion, accounting for 13% of Shaanxi's total industrial output and 50% of the equipment manufacturing sector.

Source: China Knowledge

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This Week in China (cont'd)

Beijing Bets On Economy To Stabilize Tibet

Nearly two years after Tibetan regions of China were engulfed in riots and protests, Beijing is doubling its bet that rapid economic development will win the political loyalty of its Tibetan population.

In a meeting of China's top leaders last month to discuss Tibet, the government pledged that "leapfrog" economic progress over the next decade would bring stability to the region and blamed the unrest in 2008 on the Dalai Lama and his "clique".

Yet as the Dalai Lama meets Barack Obama, US president, in Washington, Tibet experts are deciphering the outcome of the policy summit to see if Beijing has also made subtle changes to its approach, which reflect some of the criticisms it has received at home and abroad.

Even by Chinese standards, Tibet's econ-

Shaanxi Province Apple Exports Rebound As Financial Crisis Effects Fade

Northwest China's Shaanxi province has reported a significant recovery in apple juice and fruit exports as it shakes off the impact of the global financial crisis.

Fruit companies in the province sold 525,400 tons of fruit into the international market in

omy has grown rapidly over the past decade, with gross domestic product rising 170 percent since 2001. However, a number of foreign analysts argue that the 2008 riots were partly the result of a pattern of growth that tended to discriminate against the Tibetan population – a view that is shared, in private, by some Chinese officials and academics.

Heavy investment from Beijing that focused on infrastructure – such as the first railway line to Lhasa – has mostly benefited companies from elsewhere in China and Han migrants in Tibet. Andrew Fischer, a Tibet specialist at Erasmus University in the Netherlands calls it "boomerang aid", heavy subsidies that end up leaving the province and do not create self-sustaining growth.

The January Tibet Work Conference, the first such meeting since 2001, was attended by President Hu Jintao, Premier Wen

2009, up 28.5 percent from 2008, said Yu Jianbo, a Shaanxi province fruit industry official. Exports of apple juice grew 33.6 percent to 467,500 tons, said Yu. "At least 40 percent of apples grown in Shaanxi were sold overseas."

Shaanxi province produces one third of China's apples, with an annual output of 8 million tons. It is also the country's

Jiabao and the two men analysts believe have been slated to succeed them, Xi Jinping and Li Keqiang. It stressed the need for continued strong growth to achieve "ethnic unity". It placed emphasis on improving human capital and said rural incomes should be raised to the national average by 2020. For some Chinese Tibet specialists there has been a shift in policy direction.

The other new departure at the January meeting was the announcement that policies for Tibet would also be applied to other Tibetan areas – about half the Tibetan population in China lives in four provinces bordering the Tibetan Autonomous Region (TAR).

For some in the Tibetan exile community, this indicated that Beijing would push the hardline political strategy it has adopted in the TAR on all Tibetans in China.

Source: Financial Times

biggest kiwifruit producer, with last year's production hitting 500,000 tons.

"We are gradually recovering from the crisis," Yu said. "The export price for apples now averages \$800 per ton, about the 2006 level." The price plunged to \$500 per ton during the financial crisis.

Source: China Daily

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This Week in China (cont'd)

China Trade Deal Offers Much To ASEAN Countries: ASEAN Chief

The ASEAN (Association of Southeast Asian Nations) Secretary General Dr Surin Pitsuwan said that the ASEAN-China Free Trade Agreement will benefit the countries joining in the regional grouping.

Surin said that the ASEAN member countries would benefit from more trade and investment under the pact, and could gain even more if they can insert

China Reports RMB 1.39 Trillion of New Loans In January

China's new yuan-denominated lending in January stood at RMB 1.39 trillion (\$203.5 billion), down 14.2 percent from a year earlier, the People's Bank of China (PBOC, the central bank) said.

In January last year, Chinese financial institutions issued a total of RMB 1.62 trillion in new loans. In total, China's yuan-denominated lending in 2009 hit a record RMB 9.59 trillion, almost double that of the previous year.

Analysts said January's new loans and the year-on-year drop fell within market expectations, as the central bank and China's banking regulator were acting to curb massive lending amid concerns of inflation.

Fan Jianping, chief economist with the State Information Center, main-

themselves into "supply lines" to Chinese factories.

Surin did, however, acknowledge that some countries would likely encounter "difficulties" implementing the agreement, which was signed in 2004 and took effect on January 1 this year.

"Every member state has its own way of managing the transition because the agreement is going to involve some adjustments, responsibilities and cooperation," he said.

tained that the RMB 1.39 trillion of new loans was acceptable since lending in January and the first quarter have traditionally been large.

He told Xinhua that the January figure indicated the government had effectively controlled credit expansion by employing quantity-based monetary tools.

According to PBOC, as of the end of January, the broad measure of money supply M2, which covers cash in circulation and all deposits, rose 25.98 percent from a year earlier to RMB 62.51 trillion.

The growth rate was 1.7 percentage points lower than that at the end of 2009, said the central bank.

As of the end of January, the narrow measure of money supply, M1 (cash in circulation plus current corporate deposits), jumped 38.96 percent to RMB 22.96 trillion. The

With its economy growing by a huge 8.7 percent last year, China is now the world's third-largest economy after the United States and Japan, and is expected to lead the global economic recovery.

According to a report by DBS Bank last year, China will continue to inject strong demand into global trade, thus boosting the economies of its export-dependent Asian neighbors, including Indonesia.

Source: China Daily

growth rate was 6.61 percentage points higher than that at the end of 2009.

The outstanding amount of M0, or cash in circulation, amounted to RMB 4.08 trillion, down slightly 0.79 percent from the same period last year.

In January, net amount of cash put into circulation stood at RMB 251.2 billion, 63.4 percent less than that in January 2009, according to the PBOC statement.

At the end of January, outstanding loans by all financial institutions reached RMB 44.02 trillion, up 31.02 percent year-on-year, said the PBOC.

Total deposits at all financial institutions stood at RMB 62.72 trillion, an increase of 26.77 percent from a year earlier.

Source: China Daily

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This Week in China (cont'd)

China Southern Airlines Likely To Receive RMB 1.5 Billion

China Southern Airlines, the country's largest carrier, said that it was likely to receive RMB 1.5 billion (\$219 million) as capital injection from its parent company.

The parent China Southern Air Holding Co would use the funds,

Foreign Investment In China Rises For 6th Month

China's foreign investment rose for a sixth straight month in January in a new sign that recovery in the world's third largest economy is on track, government figures showed.

Foreign direct investment rose 7.8 percent in January from a year earlier to \$8.1 billion, the Commerce Ministry said. That was below December's growth rate, but China's economic data

CITIC Mulls CLSA Stake To Drive Overseas Expansion

CITIC Securities, the largest mainland brokerage by assets, is in talks to acquire a minority stake in Hong Kong-based brokerage CLSA Asia-Pacific Markets in a bid to expand business overseas.

The securities firm is likely to purchase a small stake because the target company's asking price is high and the two sides have yet to reach a final purchase agreement.

which was allocated by the Ministry of Finance, to "support the development of the airline's core business," said the company in a statement to the Shanghai Stock Exchange.

China Southern Airlines, together with its parent, is currently considering "arranging the funds to reduce the company's asset debt ratio,"

in the first two months of the year are distorted by the Lunar New Year holiday, which results in fewer working days.

China's foreign direct investment plunged in 2008 as companies cut back spending amid the global economic crisis but began to rise again in August. FDI includes spending on factories, real estate and other assets but excludes investment in stocks and other financial instruments.

China's economic growth accelerated to 10.7

"The brokerage business is pretty competitive in Hong Kong. Many Hong Kong securities firms are turning to the mainland for good cash-rich buyers and this creates opportunities for us," a source close to CITIC Securities told China Daily.

Analysts said the move signaled CITIC's intention to fast forward its investment plans in international financial markets by cornering the forefront market in Hong Kong and accelerate overseas expansion of the

according to the statement.

Trading in the shares of China Southern Airlines would be suspended in Shanghai from February 23rd for no more than 10 trading days, it said.

Shares of China Southern Airlines surged 4.91 percent to 6.62 yuan on February 22nd.

Source: China Daily

percent in the final quarter of 2009, up from a low of 6.1 percent in the first quarter, driven by a RMB 4 trillion (\$586 billion) stimulus package. Consumer spending also is rising.

In December, FDI more than doubled from a year earlier to \$12.1 billion.

China's total foreign direct investment in 2009 fell 2.3 percent to \$90 billion, still high against the backdrop of the global crisis.

Source: Business Week

mainland's securities industry. "CITIC Securities is speeding up its strategic investment planning in international markets and other securities houses with solid capital strength will likely follow suit," said Ning Yu, an analyst at Dongguan Securities. "If successful, the acquisition will open a door for CITIC Securities to the international market and prepare it for the program that will allow mainland investors to directly buy Hong Kong-listed stocks," he said.

Source: China Daily

China's foreign investment rose for a sixth straight month in January in a new sign that recovery in the world's third largest economy is on track, government figures showed.

This Week in China (cont'd)

BoCom Set To Raise Funds Via Rights Issue

Bank of Communications (BoCom), China's fourth largest lender by market value, is likely to raise up to RMB 30 billion through a rights offering in Hong Kong and Shanghai to replenish its capital base.

The Shanghai-based lender may offer 1.5 new shares priced between 3 and 4 yuan apiece for every existing 10 shares. That would take the total funds raised by the bank to around RMB 25 to 30 billion.

The source also indicated

Auto Dealer Testing The Waters On HK Initial Public Offering

Chinese automobile dealer Zhongsheng Group Holdings Ltd started testing demand for a Hong Kong initial public offering (IPO) that could raise as much as \$1 billion.

The company, based in Dalian, Liaoning province, plans to start taking orders on March 3. The share sale may fetch \$600 million to \$1 billion.

Zhongsheng is coming to the market as investors have become more selective in buying shares in IPOs. Hong Kong's benchmark Hang Seng Index has fallen 7 percent this year. Four of the six companies that went public in the city in 2010 are trading below their IPO prices.

China overtook the US last year as the world's

that the rights issue price would be at least 50 percent lower than the bank's closing share price of 8.14 yuan in Shanghai on February 22nd.

The Ministry of Finance, the largest shareholder in BoCom, had earlier indicated that it would inject capital into the bank by buying new shares. London-based HSBC, which has an 18.6 percent stake in BoCom, would also need to spend several billion yuan to maintain its position as the third largest shareholder.

BoCom's core capital

largest automobile market with sales jumping 46 percent to 13.6 million.

Zhongsheng operates 47 "4S" car dealership shops around China for mid-end to luxury brands including Mercedes-Benz, Lexus, Audi and Nissan. "4S" means sales, spare parts, service and survey.

Zhongsheng ranked as the fourth-largest Chinese auto dealer by revenue in 2008, with 1.2 percent of the domestic market, the report said. Its number of "4S" outlets more than tripled from 15 in early 2006, and they are concentrated in better-off northeastern, eastern and southern coastal cities.

The investment banking unit of Bank of China Ltd estimated Zhongsheng to be worth 30.8 billion yuan to 38.2 billion yuan, representing 26.8 times to 33.2 times estimated 2010 earnings per share. It

adequacy ratio, a key indicator of financial strength, dropped to 8.08 percent by the end of September last year, one of the lowest among the country's top listed banks.

"The funds raised would help lift the bank's core capital adequacy ratio by 2 percent and meet its business expansion in the next two to three years," said Chen Xi, a Shenzhen-based banking analyst at First Capital Securities.

Source: China Daily

estimated Zhongsheng's 2010 net profit at 1.15 billion yuan, more than double last year's 467 million yuan, as its network of dealerships expands and product mix improves.

The top 10 Chinese auto dealership groups controlled 11.4 percent of China's total passenger car sales in 2008, said BOC International Holdings Ltd. It said Zhongsheng should be valued higher than its US peers because of China's surging vehicle sales and the likelihood of the largest domestic players to emerge as national leaders in a hitherto fragmented market.

The share sale is scheduled to be priced around March 12 with stock trading to start March 19.

Source: China Daily

China overtook the US last year as the world's largest automobile market with sales jumping 46 percent to 13.6 million. The top 10 Chinese auto dealership groups controlled 11.4 percent of China's total passenger car sales in 2008, said BOC International Holdings Ltd.



Consumer / Retail

Dairy Consolidation Moves Gather Pace

New Hope Dairy, a wholly owned subsidiary of New Hope Group, said it had acquired full ownership of Anhui Purity Dairy Co Ltd after buying the remaining 41 percent stake in the company.

Sichuan-based New Hope Group said in a filing to the Shenzhen Stock Exchange that it paid RMB 26.51 million for the remaining stake in the State-owned dairy.

"It highlights New Hope's ambition to compete in the high-growth dairy market," said Qin Jun, an industry analyst with Guotai Junan Securities. New Hope Dairy has now 12 local

Taiwan's Hola To Open New Stores In Mainland China In 2010

With the opening of these two stores, the number of Hola stores in Shanghai has reached seven and there are 20 Hola stores in mainland China.

In 2009, Hola opened six new stores in mainland China and its sales in this market have increased by 60%. Gu Yihua, the China Unicom Opens First 3G Mobile Phone Flagship Store In Beijing

China telecom operator China Unicom has announced that its first flagship store under its 3G brand "Wo" has been opened in Beijing.

Located in the southern hall of China Unicom's headquarters building in the Financial Street, the

dairy brands and is highly likely to consolidate them into its own, he added.

In recent years, New Hope Dairy has acquired a total of 12 small- and medium-sized dairy companies in Hefei, Anhui province, Baoding, Hebei province, Changchun, Jilin province and Qingdao in Shandong province.

"Although the dairy market is dominated by three big companies - Yili, Mengniu and Bright Dairy - there still remains growth potential for newcomers to tap," said Qin.

"Since the melamine scandal was made public in 2008, the domestic milk industry went into freefall in both reputation and

general manager of Hola, said that the company is optimistic about the Chinese mainland market and will continue to expand its presence there. The company is reported to be planning to open five to eight new outlets in 2010.

As a subsidiary of the Test Rite Group, Hola is a well-known home furnishing brand in Taiwan with 13

three-floor Wo flagship retail store covers a total area of about 800 square meters. So far, 56 types of WCDMA mobile phone products of over ten manufacturers, including Apple, Nokia, Samsung, Sony Ericsson, Motorola, LG, Coolpad, Huawei, ZTE, and Dopod, are available in this new store. At the same time, 11 concept mobile phones

sales. The industry-wide crisis forced the top three giants to slow the pace of their consolidation. This leaves some opportunities for the players in the second-tier group, such as New Hope Dairy," added Qin.

In an interview with the Economic Daily, Liu Yonghao, chairman of New Hope Group, said he was determined to prioritize the agricultural industry in his blueprint for the group.

"The first document issued by the central government will encourage us to make further developments in agriculture," Liu said.

Source: China Daily

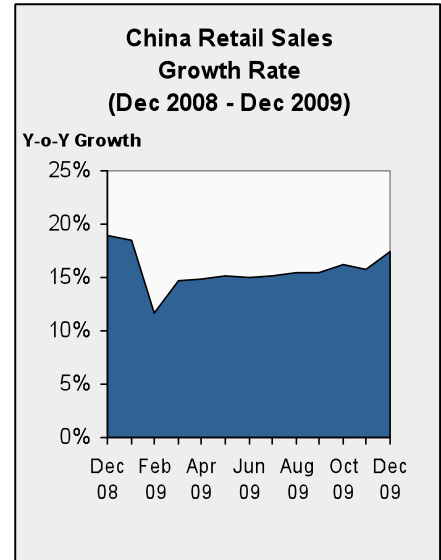
stores in its local marketplace. In 2004, it opened its first mainland store in Shanghai and over recent years it has opened 20 outlets in first-tier cities, including Beijing, Shanghai, Suzhou, Dalian, Hangzhou, Shenzhen, and Chengdu.

Source: China Retail News

are displayed there.

China Unicom's Wo flagship store has three areas, including Wo 3G, Wo Family, and Wo Business. These areas integrate sales of WCDMA mobile phones, iPhone mobile Internet experience, and customer service.

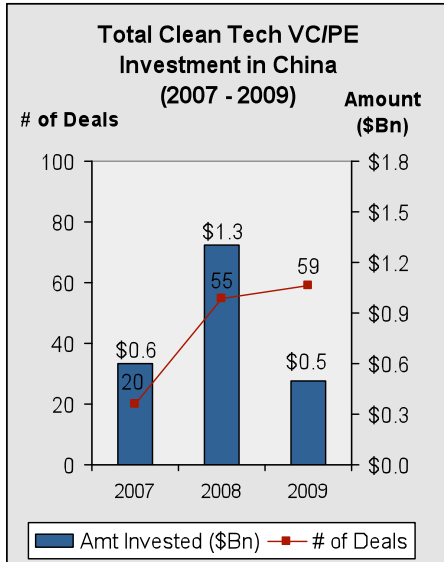
Source: China Retail News



Source: Bloomberg

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Alternative Energy



Source: Zero2IPO

A-Power will begin shipping wind turbines in March and deliver all units by the same month of 2011. Its subsidiary, Shenyang Power, is contributing \$36.6 million to the project, which is expected to produce about 600 megawatts of energy.

Yancheng's Offshore Wind Power Capacity To Hit 12.3 mln kW

The generation capacity of offshore wind farms in Yancheng, Jiangsu Province is expected to reach 12.3 million kilowatts as the municipal government is stepping up efforts to facilitate the development of offshore wind projects in five counties and cities in Yancheng.

Earlier this week, the first

US-China Group Announces \$1.5 Billion Texas Wind Project

Two American companies have teamed with a Chinese company for a \$1.5 billion West Texas wind farm project.

The Austin (TX) Business Journal says Texas-based Cielo Wind Power and U.S. Renewable Energy Group out of Washington, DC have teamed with Shenyang, China-based A-Power Energy Generation

China Advances In Independently Tapping Nuclear Power

When 2009 reached its end, Wang Binhua, president of China's State Nuclear Power Technology Corporation (SNPTC), was interested to hear that South Korea made a maiden voyage to edge into the international nuclear power market through winning a \$20 billion dollars nuclear power contract from the United Arab Emirates.

At the end of 2006, the Chinese government

wind turbine was installed in an offshore wind farm in Xiangshui County. Meanwhile, anemometer towers for finding the location with the best winds were set up in preparation for a planned 300,000 kW wind power project in Tongtai.

Huarui Wind Power Technology Co, the largest wind turbine manufacturer in China, recently started construction on a wind power project in Yancheng

Systems Ltd. subsidiary Shenyang Power Group for a 36,000 acre wind farm:

A-Power will begin shipping wind turbines in March and deliver all units by the same month of 2011. Its subsidiary, Shenyang Power, is contributing \$36.6 million to the project, which is expected to produce about 600 megawatts of energy.

Shenyang and U.S. Renewable Energy formed

considered the situation and resolutely decided to "unify the technological roadmap for nuclear power development". It introduced the AP1000 technology, the most advanced third-generation nuclear power technology.

To promote independent development of the third-generation nuclear power technology, China has earmarked RMB 13.1 billion. One third of the funds are used for absorbing the AP1000 technology.

Aalong with the No. 1

that will have a capacity of 5 MW and will involve a total investment of RMB 1.5 billion. The project is expected to be completed by the end of this year.

Reportedly, the wind power potential in Yancheng accounts for over two-thirds of Jiangsu Province's total wind power potential.

Source: China Knowledge

a separate Delaware LLC to own, design, develop, construct, manage and operate the wind turbines, according to the release. A Cielo affiliate will also assist in development.

This is one of the world's first Chinese-American utility-scale wind power projects, able to produce enough electricity to power 180,000 homes while creating hundreds of U.S. jobs.

Source: Domestic Fuel

generating unit put into construction at the Shandong Haiyang Nuclear Power Station on December 28, 2009, three out of the four AP1000-based generating units have entered the stage of main body engineering construction, said Wang Binhua. So far, all the generating unit projects are going smoothly.

China has been able to locally produce 55 percent of the equipment under the key technologies.

Source: Xinhua Net

Recent Transactions

Youngor Buys Stake In Changsha Zoomlion For \$82 Million

Youngor, China's largest shirt company, said that it spent RMB 561 million (\$82 million), at RMB 18.7 per share, on purchasing 30 million non-public offering A-shares issued by Shenzhen-listed Changsha Zoomlion.

UPC Renewables China Holdings Ltd. Receives Investment from GEF

Private equity firm Global Environment Fund (GEF) announces the completion of an investment of US\$30 million in UPC Renewables China Holdings Ltd. (UPC, the Company), an independent renewable energy producer with specific focus in wind energy development. The investment will be dedicated to wind power development in China, where the Company has 150 MW in construction and more than 3 GW of pipeline

Cnooc, Sinopec Said To Mull Devon's Caspian Oil Stake

Cnooc Ltd. and China Petroleum & Chemical Corp. are considering bidding for a Devon Energy Corp. stake in an Azerbaijan oil field that may fetch as much as \$3 billion.

Japan's Itochu Corp. and Inpex Corp. are also among companies that may bid for the 5.6 percent holding in the Azeri-Chirag-Gunashli oil

In a statement to the Shanghai Stock Exchange, Youngor, based in the southeastern Zhejiang province, said the 30 million shares accounted for 1.52 percent of total non-public offering A-shares issued by Changsha Zoomlion.

These newly-acquired shares of Changsha projects. GEF is the only outside investor and holds two seats on the Board of Directors of the Company.

"UPC has been working in China since 2006, and we have seen this market go from a standing start to one of the largest in the world for wind energy. We expect to see sustained long term growth in the wind market in China, and UPC, with support from GEF, is looking forward to participating fully in this market," said Brian Caffyn, CEO and Chairman of UPC.

"We are pleased to be project.

A Chinese purchase would add to \$18 billion of energy acquisitions since December 2008 as the nation scours the globe for resources to feed the world's fastest-growing major economy. Devon, the biggest independent oil and natural-gas producer in the U.S., announced plans in November to sell its Gulf of Mexico and overseas assets to raise as much as \$7.5 billion to cut debt and fund onshore developments. This re-

Zoomlion shouldn't be sold within 12 months, the statement said.

Changsha Zoomlion, based in Central China's Hunan province, is the country's leading heavy machinery maker. It is among the growing ranks of Chinese machinery manufacturers.

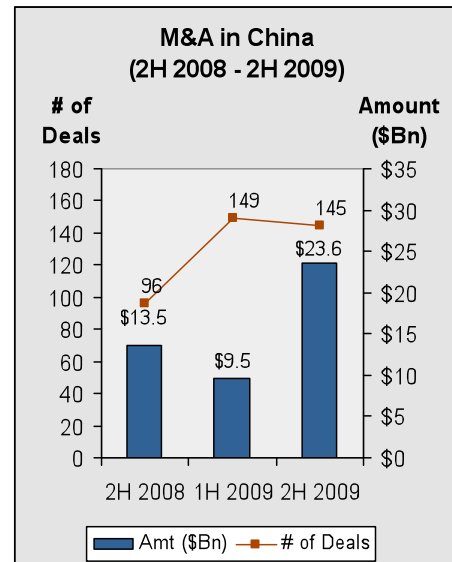
Source: *China Daily* partnering with UPC in its ambitious plans for China. This is a tremendous opportunity to support a world-class wind developer in one of the world's best clean energy markets," said Jeffrey Leonard, CEO of GEF. "GEF has known the international sponsors of UPC for many years and we believe that their global experiences, combined with a strong local team of highly skilled Chinese professionals, positions the company well for this market."

Source: *Zero2IPO*

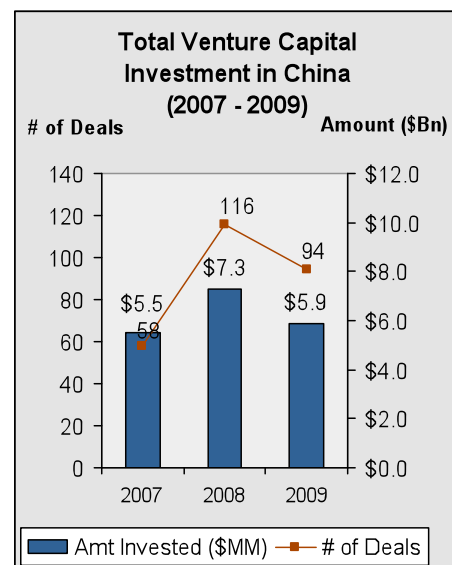
reflects China's "big appetite" for oil assets worldwide.

The sales of international assets will include properties that account for about 7 percent of the company's 2.8 billion barrels of oil equivalent in reserves. Cutting debt and directing spending to U.S. and Canadian fields will increase cash flow, production and reserves, the company said.

Source: *Bloomberg*



Source: Zero2IPO



Source: Zero2IPO