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More Funds from Economic Stimulus Plan Are Expected and China's Estimated Deficit Will Double

2009-02-23, Lianhe Zaobao, Singapore

To fight against the financial crisis and declining economy, China's estimated deficit will be increased substantially from 500 billion RMB determined at last year's central economic conference to 950 billion RMB.

Mr. Shangxi Liu from the Finance Department said that it is very challenging to balance the fiscal revenue and government spending this year, and it's no wonder that the deficit will increase frequently. According to the Economic Observer Newspaper, the National People's Congress (NPC) has a different opinion about the 950 billion RMB deficit. Some members believe that the deficit is necessary to achieve 8% annual growth and stabilize the job market. The 950 billion RMB accounts for 3% of GDP, close to the international warning line but still controllable. The budget and implementation left enough room for deficits over the past few years. Therefore, there is no risk this year even if the deficit is increased.

Another opinion is that expansionary fiscal policy will inevitably increase the deficit, but such a large scale deficit will lead to risks, especially the impact of 200 billion RMB which the central government released on behalf of local governments. Whether the funds can be repaid on time remains a question.

Chinese Law on the Safety of Places Where Food Has Originated To Be Legislated With the Emphasis on Full Stage Control

Xinhua News

More rules have been added to the Food Safety Draft which is currently being reviewed by the National People's Conference (NPC). The draft was designed to strengthen the regulation of edible agri-products and safety of places where food has originated.

Some members of the NPC suggest that the draft should clarify the responsibilities of administrative departments to effectively implement the whole stage regulation from farmland to dinner table and ensure the safety of edible agri-products. The following rules have been added to the draft:

- Companies of edible agri-products and professional cooperative economic organizations of farmers shall adhere to Food Safety Standards and national regulatory rules in using agricultural products, including pesticides, fertilizers, plant growth regulators, veterinary medicines, feed and feed additives. Establishing record-keeping systems of edible agri-products is recommended.



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- An agriculture administrative department of the people's government at the county level or above shall strengthen the administration and guidance of agricultural products, and shall establish and improve the safety system for agricultural products.
- An agriculture administrative department of the people's government at the county level or above shall be responsible for the supervision and administration of edible agricultural products in accordance with the Administrative Measures for the Safety of Places Where Agricultural Products Originated.

Further Reform of Health Care System Should Make Full Use of Traditional Chinese Medicine

The Department of Health released the 2009 Health Care Work outline on February 23, pointing out that five projects for further reform of the health care system should make good use of traditional Chinese medicine (TCM) with favorable policies.

The outline says the development of the TCM industry should be given more support with relevant policies and prepared research for legislation. The following work should be done: continuous execution of good doctor education, establishment of good hospitals and departments, and the entry of TCM into rural areas, communities and families, also known as the "three good and three entry" project; there should also be proactive promotion of primary TCM services network construction and primary TCM staff construction. The Department of Health should further develop the "Journal of Traditional Chinese Medicine in China" and expand the TCM culture. The work should also be done to accelerate the clinical research development of TCMs and promote inheritance and innovation of TCMs, which will help TCMs to have greater use in public health, rural health, city and community health services, and the treatment of critical and stubborn illnesses.

Pharmaceutical Industry- No.1 for Counter-cyclicity and Strong Resistance Against the Declining Economy

China Business News

Pharmaceutical companies have come to be the hottest sector in the list of top 200 Chinese companies with the greatest potential, issued by Forbes, including 32 companies in the fields of traditional Chinese medicine, medical equipment, hospitals, medicine packaging materials and biotech pharmaceuticals. Besides the strong performance of all these companies, Liaoning Chengda Biotechnology Co. Ltd., the first one on the list, has had average annual growth rate of 300% over the past 3 years with a total asset value of 460 billion RMB. The list has become the weather vane of the market for investors. No doubt venture capital and private funds do not want to miss any investment opportunities. They admit that pharmaceutical companies can hold up well in the current economic cycle.



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Gradual Warming of Foreign Investment in Chinese Financial Industry

Chinese Business Times

As various promised items have been delivered after China's entry into the WTO, a new tide of foreign investment in China has arisen, the State Administration of Industry and Commerce indicated. With further industrial structure optimization, there is a steadily increasing trend in the number of companies with foreign capital in China and rapid growth in registered capital of these companies. The relevant indicators are particularly noticeable for companies located in the mid part of China.

Government Issued the Revitalization Plan for 10 Industries With Strong Confidence In Growth

Economic Information Daily

After releasing the economic stimulus plan for steel, auto, equipment manufacturers, ship and boat, electronic information, light industry, petroleum and petrochemical industries, the State Council conference has approved and issued the revitalization plan for the non-ferrous metal and logistics industries. Thus far, revitalization plan for 10 industries have all come above the surface within the last 42 days.

Credit Increase in February is Over 800 billion RMB

China Securities Journal

Many commercial banking professionals told the reporter of China Securities Journal that the credit increase in February is likely to be over 800 billion RMB. Compared with the same period of last year or the total amount of credit, the fund is still up, although it's not as high as it was in January. Both the rate and amount of increase in credit this year will be substantially more than prior plans.

A state-owned commercial bank professional said that the bank's credit increase in February dropped to 50% of the credit increase in January. The credit increase of major banks shrank significantly during the first week of February while it has crawled back gradually. Given the historical data, the credit increase in February of 2008, 2007 and 2006 was 247 billion RMB, 413.7 billion RMB and 152.8 RMB, respectively. Experts expect that there will be less notes financing in February, and mid- and long-term loans in the credit increase will still have steady growth. Because of the enormous increase in notes financing in January the government has given the 'reminder' to commercial banks, and believes that total risk is controllable.



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China Banking Regulatory Commission Temporarily Stops Bad Asset Securitization

Business and Financial

The world economic crisis has forced the pilot program of the bad asset securitization in China to stop. The creation of risk management vehicles has a long way to go. The reporter was told that the China Banking Regulatory Commission has temporarily stopped bad asset securitization. Experts consider this action more as a temporary solution given the current market. Since China has just started its process of bad asset securitization and products are still entry level, risks can be easily identified and the future market potential is still fairly large.

A person close to the Commission said that considering safety and robustness of the process, Commissions temporarily stopped the securitization. Prior to that, the Financial Market Department of the Central Bank had proactively promoted asset securitization for new product creation, but the specific products need approval of Commission in order.



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