

## China Economic Headlines

### Coming Events

#### June 22-25, 2006: CISIS 2006 - China International Software & Information Service Fair 2006

CISIS 2006, the only national level software fair in China approved by the central government, will be held in Dalian World ExpoCentre, Dalian, Liaoning Province. . The theme of CISIS 2006 is "Independent Innovation, International Cooperation". Israeli Trade Mission to China, jointly with Israeli Export & International Cooperation Institute will conduct an Information booth for promoting Israeli software industry.

#### Coming Events

#### General news on Chinese economy

#### News on various sectors

Consumer Goods

Environment & Energy

IT & Telecom

Medical & Healthcare

Others

#### 2008 Beijing Olympic Games

### General news on Chinese economy

#### China's actual FDI in 2005 reaches 72.4 billion U.S. dollars

China's actual foreign direct investment(FDI) in 2005 amounted to 72.4 billion U.S. dollars, up 19.42 percent over that of 2004, the revised statistics released by the Ministry of Commerce. The newly revised figure is upward by 12 billion dollars over that announced by the ministry in January, which excludes the FDI received by the sectors of banking, insurance and securities. The new figure reflects one important information of China's FDI that the sector of service has become an important field to attract foreign investors. In 2005 the FDI received by the sector of banking, insurance and securities has reached 11.8 billion U.S. dollars, which indicates that China's modern service sector has become more and more open. (Jun 9, Xinhua)

#### Tianjin to become north China's growth locomotive

The North China port of Tianjin has received the central government's nod for an ambitious plan that will help its Binhai New Area (BNA) become another Chinese boom area. A statement released by the State Council, China's cabinet, said BNA has been designated an experimental zone for comprehensive reforms and will be built into a third economic powerhouse after Shenzhen and Pudong of Shanghai. The statement said that the area, covering 2,270 square kilometers, will become the gateway to North China, a modern manufacturing and research base and an international shipping and logistics center. The new coastal area, dubbed "Pudong of North China", will launch a series of reform initiatives including financial reforms, land administration methods, a bonded area and preferential tax policies. (Jun 8, People's Daily)

#### China eases restriction on foreign investment of listed companies

Multinationals will be allowed to invest in the Chinese currency-dominated A share market through their investment subsidiaries in China as of July 1, said the Ministry of Commerce. Previously, China's A share market was only open to foreign corporations and organizations that had overseas assets of not less than 100 million U.S. dollars or managed overseas assets of not less than 500 million dollars. The new supplementary regulation released by the ministry requires foreign funded investment companies to have registered capital of 30 million dollars. The move is seen as a sign the country is loosening control of its capital market. (Jun 6, Xinhua)

## News on various sectors

### Consumer Goods

#### **Spending on services rising in big cities**

New statistics have shown that urban Chinese are spending increasing amounts on services and leisure. Beijing residents spent one-third of their income on cultural and recreational activities in 2005, up 8 per cent over 2004, according to statistics from the Beijing Municipal Statistics Bureau. According to Shanghai Media and Entertainment Group, revenues produced by the city's entertainment sector reached 4.8 billion yuan (US\$600 million) in 2005, up 30 per cent from 2004. In Guangzhou, a survey conducted by Guangzhou Urban Survey and Research Centre showed the average urban family spent 5,067 yuan (US\$634) "buying different kinds of services" last year. *(Jun 5, China Daily)*

#### **Xoceco is the only domestic brand recommended by Hong Kong Consumer Council**

In a latest rating by the Hong Kong Consumer Council (HKCC) of LCD TVs among 15 Chinese and foreign brands, Xoceco's Prima model stood out as one of the six brands recommended by the Council. Also among the top 6 were foreign names like Panasonic, SONY, Philips, Toshiba and Sharp, with Xoceco being the only domestic brand on the list. *(Jun 8, FDI)*

#### **Economy cars popular in China's booming auto market**

Economy cars with low emission were among the best-selling cars in China in the first five months of the year. Their popularity stems from soaring oil prices and more preferential government policies on vehicles with low emission. Among the top 10 brands, five of them were cars with low emission. But there was also a significant leap in the sales of luxury cars with high emission. *(Jun 7, Xinhua)*

### Environment & Energy

#### **China to build first nuclear power plant in northeast region**

Construction of northeast China's first nuclear power plant is expected to begin next year. Preparations have begun for construction of the first phase of the Hongyanhe Nuclear Power Plant, located at the Donggang Town of Wafangdian City in Liaoning Province, Zhang Guobao, vice minister of the National Development and Reform Commission, told a news conference in Beijing. China Power Investment Corporation, China Guangdong Nuclear Power Holding Co., Ltd. and two local companies in Liaoning have jointly set up the Liaoning Nuclear Power Co., Ltd., which is responsible for the construction and operation of the Hongyanhe project. *(Jun 9, Xinhua)*

#### **Deserts Swallowing Up China's Grasslands and Cities**

Deserts and other dryland ecosystems now cover a third of the Earth's land surface, and worsening land degradation puts more than a billion people in over 100 countries at risk of poverty, political instability, and other related effects. In China, desertification threatens to uproot growing numbers of residents from their homes and livelihoods. In the country's arid north, the Mongolian Desert is rapidly encroaching on Shenyang, an industrial city of more than 40 million people; today, the distance between city and desert has shrunk to only 48 kilometers, down from 100 kilometers in 2000. *(Jun 1, WorldWatch)*

## IT & Telecom

### 3G

#### **China to Begin 3G Network Environment Testing**

As an authoritative assessment body performing telecommunication certification based on mandatory state standards, the China Academy of Telecommunication Research (CATR) plays a key role in facilitating the roll out of the nation's 3G network. It is positioning now to engage in full scale testing and is selecting a number of key vendors to assist with 3G network development. CATR of the Ministry of Information Industry (MII) is a nation-level research organization in the telecom field directly under the leadership of the MII. CATR integrates the functions of research, test and certification and consultancy. It mainly performs support work for government, such as research on development planning, policies and regulations, and network standards as well as carrying out regulatory work. Meanwhile, it can also provide services for the industry, such as quality system certification of enterprises, telecom metrology and product test/certification as well as network planning/design and consultancy for enterprises. CATR has chosen Tektronix as its premiere supplier for the 3G network environment testing. (Jun 6, C114)

#### **Issuance of 3G license has no Schedule**

Once more the Chinese telecom regulator has put off the issue of licenses for third generation (3G) phones until late 2006 or 2007. Since 2002, the telecommunications industry has lost count of the number of times China has delayed the issue of 3G licenses. The industry had thought the nation's first 3G licenses might be issued May 17, World Telecommunications Day, but nothing happened. The licenses will be issued at the end of 2006 if everything goes well. Considering the additional time needed to draft 3G fee policy and design related software, the final timetable will be delayed to next year, said Li Yanfeng, a 3G analyst at Beijing-based CCID Consulting, a research firm under the Ministry of Information Industry. The 3G licenses will be issued between the end of October and the beginning of November or later, Beijing-based Norson Telecom Consulting said lately. Investment bank UBS had said in its recent report that China will delay the issuance of 3G licenses to 2007. MII officials, who said in public previously that China will issue 3G licenses this year, declined to comment on the timetable now. (Jun 2, C114)

#### **China Telecom confident on 3G service**

China Telecom, the mainland's biggest fixed-line phone company, said it would be able to offer third-generation (3G) services seven or eight months after it gets a licence, based on trials of home-grown 3G standard TD-SCDMA. China Telecom has so far built 70 stations to undergo TD-SCDMA tests in Baoding of North China's Hebei Province. (May 24, China Daily)

### Carriers

#### **China Mobile Forays into SP Market**

On China Mobile's 12530 website, in addition to songs and color ring back tones, users also can download IVR, pictures and even MV video. This is only a prelude, next month China Mobile will launch a more eye-catching move, sources unveiled to the journalist. Two months ago, China Mobile organized a secret talk with several Chinese CPs, discussing about how to achieve operation by itself, in a bid to share wide-dispersing wireless value-added services with CPs, for many CPs complain that in the current value-added service industry chain made up of CP-SP-mobile operator, actually CP only gets 10% or less profits, which is caused by SP's cheating in reporting figures. With approach of 3G era, the huge market created by wireless value-added

services has gained wide spreading approval. Being unwilling to see that SP continues to grab the most important profit-making point, China Mobile and CP propose direct cooperation. (Jun 12, Sinocast)

## **China mobile, AsialInfo to Establish Data Warehouse Joint Lab**

AsialInfo Holdings, Inc., a leading provider of telecom software solutions and security products and services in China, recently announced the establishment of a mobile communication data warehouse joint lab in conjunction with China Mobile and Beijing University. The new research laboratory will promote the development of mobile communications data warehouse technology in China including data extraction, application and data management. It will also serve as a site for regular forums to exchange technical knowledge and operational experience. (Jun 2, C114)

## **China Mobile Makes Acquisitions on Emerging Telecom Market**

China Mobile has worked out an acquisition list mainly targeting emerging telecom markets across the globe, said insiders from an investment bank who close to the carrier. It is reported that one clear target is the Indian market. China Mobile, the top mobile telecom operator in the country, has been on the road of acquisition since October last year when the carrier's Hong Kong listed arm posted an announcement of buying the local operator China Resources Peoples Telephone Company. (Jun 1, C114)

## **China Unicom: 17% Revenue Comes from Digital Business**

China Unicom announces 17% of its total revenue in 2005 comes from data business. Moreover, the company is considering setting up a digital music platform to luring more developers and partners, to access to their digital music resources. Li Zhengmao, vice president of China Unicom, reveals that 2% to 3% of the company's customers accepted the color ring back tone services at the beginning of 2005 but the figure sharply jumped up to 25% at the end of last year. Short messaging service, as a traditional data service, kept the two-digit growth. (Jun 6, Sinocast)

## **China Netcom Allies with Shanda**

China Netcom announced in Beijing that it would set up a new company China Netcom Group broadband online co., ltd. Meanwhile, it revealed that it had established long-term strategic partnership with Shanda in home entertainment area. According to the agreement, CNC will incorporate several million sets of "Kuan Dai Bao" into its broadband services in one year. For CNC, this is not difficult at all. "Besides continuing promoting "Kuan Dai Bao" to old and new broadband users, CNC and Shanda plan to set up over 200 sales outlets for customers to experience broadband entertainment products and relevant value-added services." Said Tang Jun, the president of Shanda. (Jun 8, Sinocast)

## **China Netcom To Focus On Solving Three Hot Issues**

Pei Aihua, a senior vice president for China Netcom (CN), has disclosed that China Netcom will focus on solving three key consumer issues in the coming weeks. The three issues are slow ADSL speed, poor communication quality of Little Smart and calling fee disputes. (Jun 5, ChinaTechNews)

## **China Netcom likely to gain TD-SCDMA standard**

Morgan Stanley said the possibility of China Netcom adopting China's homegrown TD-SCDMA standard has grown from 10 per cent to 30 per cent, China Business News reports. It also predicted that the company would acquire a license to operate regional TD-SCDMA network but not a nationwide one, because China Netcom is a small operator and has borrowed heavily. However, China Netcom still needs more funds to inject into its 3G operation,

especially in the period of 12-18 months after 3G licenses are granted while the competition between 3G operators becomes fiercer. (*May 30, AsiaPulse*)

## **Tianjin Netcom Deploys Sylanro Systems IP Centrex Services**

Sylanro Systems Corporation announced that Tianjin Netcom has deployed Sylanro's application feature server as part of its integrated NGN solution. With this project, Tianjin Netcom now provides IP Centrex services to small and medium-sized enterprises, enabling end users access to conveniently hosted business telecommunication services with customized, localized browser-based portals over China Netcom's broadband IP network. (*Jun 6, C114*)

## **Netcom launches subsidiary to offer video content**

China Netcom Group, the smaller of the country's two fixed-line carriers, on Friday launched a subsidiary devoted to providing video offerings to broadband Internet users. The new company, wholly-owned by Netcom, will operate CNC Max, a Web portal providing paid-for video-related Internet content. Netcom now has more than 13 million broadband subscribers, compared to 3 million in 2003. Currently Netcom's revenue from Internet-related services mainly comes from the access service. Internet users will be able to buy and watch video offerings on CNC Max, including live broadcasting, VOD (video on demand), TV, music, games and online learning. All operations will be carried out using a remote control, which will enable people to enjoy online video offerings in their living rooms. (*May 27, China Daily*)

## **China Satcom's Satellite Broadband To Extend Reach**

China Satcom announced that the construction of its satellite broadband IPSTAR at Beijing gateway has been completed and it is now able to provide broadband service in 10 provinces in northern China. The construction of IPSTAR at the Shanghai gateway and Guangzhou gateway is expected to be finished in September 2006. It will then provide broadband service across the whole country. Zhang Hainan, general manager of China Satcom, says that their IPSTAR can bring the advantage of satellite communications to effectively solve the Internet access difficulty in places such as the countryside and remote areas. (*May 30, ChinaTechNews*)

## **Policies**

### **SARFT Issues Mobile Television Standard**

China's State Administration of Radio, Film and Television (SARFT) has issued a circular, approving "30MHz~3000MHz Ground Digital Audio Frequency Broadcasting System Technology Standard (DAB)" as the industry standard for China's radio, film and television industry. A representative from SARFT says the DAB issued this time is mainly for providing high quality digital and audio program to portable mobile devices. The representative says DAB is related to international standards used in the market. (*Jun 2, ChinaTechNews*)

## **Software**

### **MII issues China top 100 software enterprises list for 2006, Huawei first**

The Ministry of Information Industry (MII) issued a list of China's 2006 top 100 software enterprises, according to revenue performance. Huawei held the top position for the fifth year with annual revenues of RMB 15.21 bln (USD 1.90 bln). Haier ranked second with RMB 7.61 bln (USD 0.95 bln) while ZTE was the third, with RMB 6.36 bln (USD 0.80 bln). The top 10 list also included UTStarcom, Digital China, Insigma Technology, China Panda, Founder, Langchao and Hisense. (*May 30, C114*)

## **High growth expected in software field**

China's software industry is expected to keep an annual growth rate of 30 per cent from 2006 to 2010, and be worth 1.3 trillion yuan (US\$162.5 billion) by the latter date. He added that software exports would reach US\$12.5 billion by 2010, more than triple the figure for 2005, which was US\$3.59 billion. By 2005, the size of China's software industry was 390 billion yuan (US\$48.75 billion), compared with 44.05 billion yuan (US\$5.5 billion) in 2000. Lou Qinjian, vice-minister of the MII, said that a special policy to boost the development of the software and integrated circuit industry, which has been drafted by the MII, had already been submitted to the State Council and will be published very soon. He added that the MII would take concrete moves to support China's software industry through, for example, setting up venture capital groups or government procurement. *(Jun 2, China Daily)*

## **Zhangxin Color Tone Established in Tianjin with 30 Million USD**

Zhangxin Color Tone IT (China) Company Ltd was founded on June 2 in Tianjin Development Zone. With a phase-one investment of 30 million USD, the company is likely to register a total investment of 150 million USD in the next five years, thus becoming the largest software company in the municipality. Related sources show Zhangxin is a developer of lottery-supporting software and a provider of integrated technical solutions. It offers products and services to government regulators of the lottery industry and integrated online transaction solutions to licensed lottery companies. Its software products are mainly used on computer and handset terminals for the Fuli lottery. It now offers a complete set of software, systems, terminals and mobile solutions to over 13 provinces, municipalities and autonomous regions. *(Jun 6, FDI)*

## **China considers upgrading Internet piracy monitoring**

The Chinese government is considering using the latest on-line technology to authenticate, monitor and protect intellectual property rights on the Internet. The technology would include a software copyright authentication platform and an improved Internet copyright monitoring system. The use of such measures to prevent copyright infringement and piracy on the Internet was increasing, said Wang Ziqiang, spokesman for the National Copyright Administration of China. The administration had advised the National Development and Reform Commission to improve software copyright registration, and to set up a software authentication system and an authentication center for suspected pirated software. *(May 31, Xinhua)*

## **Telecom Equipment Manufacturers**

### **Huawei reportedly to acquire Harbour networks for USD50 million only**

Huawei Technologies has acquired controlling shares in Beijing-based Harbour Networks from investor Warburg Pincus and the deal will bring an end to disputes between the two telecom equipment makers, Chinese media reported. Rumor said the deal would be around USD50 million.

Harbour Networks, founded by former Huawei Vice President Li Yinan in 2000, started out as a distributor of Huawei products. However, Harbour Networks soon set up its own R&D team and stepped into production, driving the company into direct competition with Huawei, the largest Chinese telecom equipment maker. Huawei management, especially President Ren Zhengfei, was then enraged by the defected Li, who hired away dozens of engineers from his former employer. In addition, because many developers with Harbour Networks are originally from Huawei, there are also disputes on intellectual property rights between the two companies.

Harbour Networks currently operates three major lines of businesses, namely broadband, optical network, and access network. Despite certain achievements on enterprise market, the company has been facing severe difficulties since its NASDAQ listing plan failed in September 2004. A number of potential buyers

since then have approached Harbour Networks for potential merger or acquisition deals.

In December of 2005, Siemens signed an acquisition agreement to pay a total of USD 110 mln in exchange for all technologies, patents, and more than 100 technical engineers for Harbour's three high-end broadband products, PowerHammer, ESRHamm, and BigHammer, which contribute nearly 60% of Harbour's profit, Chinese magazine Cai Jing reported. "Implementation of the agreement, as far as I know, has been halted due to disagreements," the Huawei source said. "Harbour Networks' situation is very difficult now, and it would be ideal for the company to return to Huawei," Zhang Dongming, an analyst with Beijing-based consultancy BDA China, told Interfax. "However, if Li returns, his relationship with Ren could be difficult to handle." (*Jun 3, Interfax*)

### **Shenzhen Kinspar is Marching into 3G**

Shenzhen Kinspar Holdings Co., Ltd., China's leading telecommunication equipment provider, has been determined to adjust its strategy, and 3G is its next emphasis. This means one more competitor has forayed into the lucrative TD-SCDMA market. Kinspar was originally established by the No. 54th Research Institute under China Electronics Technology Group Corporation, with high capacity SPC switch equipment as its highlight. Afterwards, it turned to mobile communication equipment, and became the biggest winner in China Unicom's CDMA equipment bidding in 2002. (*Jun 12, C114*)

### **Nortel, Huawei end broadband venture**

Nortel and Huawei have ceased their joint venture to develop broadband products. According to a Nortel 10Q SEC filing this week, Nortel and Huawei have decided "not to proceed" with the joint venture to develop gigabit "ultra" broadband access products announced in February. The two are still talking, however. (*Jun 8, C114*)

### **3G joint venture gets preliminary nod from regulators**

Chinese telecoms equipment maker Potevio and Finland-based Nokia have secured preliminary approval from regulators to establish a joint venture to develop 3G (third generation) mobile communications technology. The National Development and Reform Commission (NDRC) said on its website that it has approved a joint venture between the two firms with an investment of 900 million yuan (US\$112 million). Potevio, formally known as China Putian Corp, will have a 51 per cent stake, with Nokia owning 49 per cent. The joint venture will mainly manufacture and market telecoms equipment such as base stations, based on the 3G standards TD-SCDMA and WCDMA. (*Jun 2, China Daily*)

### **Shenzhen Becomes a Global Mobile Phone Manufacture Center**

Yulong Computer Telecommunication Scientific Co., Ltd confirmed that the company received mobile phone license from National Development and Reform Commission (NDRC) at the end of this May. Other two companies also got the licenses. The three companies are all located in Shenzhen. The joining of the new force strengthened Shenzhen's position as a global mobile phone manufacture center. On May 30, 2005, NDRC published the first enterprises who received mobile phone licenses. Five companies including Huawei, Hisense, Daxian Pantech, Aux, and Gaotong Technology, are on the list. Up to now, of the 26 companies who newly got mobile phone licenses, 8 are located in Shenzhen. Adding two companies who got license much earlier, but whose manufacture bases are in Shenzhen, the total number is added to ten. (*Jun 9, Sinocast*)

### **Other**

## **IT security market to grow 20.9% annually**

China's IT security market will grow 20.9 percent annually over the next five years, the International Data Corporation (IDC) said in a report, and the market sales would reach 976.5 million U.S. dollars in 2010. The IT security market including security software, hardware and services will also see fast growth, it said. *(Jun 6, Xinhua)*

## **775 Million Telephone subscribers, a world record**

The telecom industry in China has been growing at a rapid pace. According to a report by the Ministry of Information Industry, the number of telephone subscribers in China had reached 775 million by the end of April 2006, a record high in the world. Among the 775 million subscribers, about 360 million are subscribers of stationary phones, while the other 415 million are subscribers of cell phones. Guangdong, Jiangsu, Zhejiang, Shandong, Shanghai, Beijing, Henan, Hebei, Liaoning and Sichuan are the top ten provinces municipalities in which the telecom industry has made most profit in China. *(Jun 7, Chinanews)*

## **China Television Media to Launch Mobile TV Service**

In the wake of finalization of its non-tradable share reform, Shanghai-listed China Television Media, a unit of CCTV, is to launch mobile TV service with sister companies. At the same time, the company will combine related HDTV service sales operations under CCTV so as to form a complete industry chain covering HDTV program production, integration, promotion, sales and service. CCTV is preparing for strengthening research and development of mobile TV service after it researches over the market conditions. China Television Media has joined forces with sister companies to develop the service and better operating model. *(Jun 12, C114)*

## **China to set up integrated circuit research center**

The Chinese government plans to setup a national research and development center for integrated circuit (IC) products with the goal of holding 15 percent of the global market, says Wang Yangyuan, a member of the Chinese Academy of Sciences (CAS) and director of the Microelectronics Institute of Beijing University. A report on suggestions to build a strong national microelectronics industry by the academic divisions of the CAS said China was expected to have 20 to 30 IC design houses with design products valued at 100 million U.S. dollars by 2010, including two or three firms with sales revenue of one billion U.S. dollars. The product value of the design industry was expected to reach 6.25 billion U.S. dollars. The total revenue of the IC industry in China reached 380.3 billion yuan (47.5 billion U.S. dollars) last year, and was expected to reach 700 billion yuan (87.5 billion U.S. dollars) by 2010. Imports of IC products totaled 78.8 billion U.S. dollars, becoming the largest source of China's trade deficit. *(Jun 8, Xinhua)*

## **Lenovo Ranks 1st and Haier Ranks 2nd in China '06 Top IT 100**

On May 31, the Ministry of Information Industry revealed in Beijing the 20th annual list of top IT 100 enterprises. PC maker Lenovo has replaced Haier and jumped to the first from the fourth place last year, and Haier has fallen to the second place. After Lenovo and Haier, there are electronics manufacturer BOE, home appliance maker TCL, and telecommunications equipment supplier Huawei, each with revenue of some 50 billion yuan. Among the top 100 this year, 22 obtained a revenue beyond 10 billion yuan. 77 of the top 100 are all located in the Yangtze River Delta, Pearl River and along Bohai area. The three leading IT industrial bases combined to generate more than 85 percent of the total sales revenue, industrial added value and profits of the whole industry. *(Jun 4, People's Daily)*

## **Lenovo Ambitiously Entering into Server Business**

Lenovo Group announced its readiness to engage in server business in 30 provinces and cities with a view to cover the whole country. Sources from the Group show Lenovo Greater China Geography has set up a special China Server Business Unit for distribution. The new unit will make its efforts simultaneously in over 30 Chinese provinces and cities. So far, Lenovo has already completed the building of its nationwide server distribution network. (Jun 2, FDI)

## **Computer Game and Animation Industry Zone Opens In Beijing**

The National Network Game and Cartoon Industry (Beijing) Development Zone has been formally launched in Beijing's Zhongguancun area. The zone offers preferential tax, licensing and corporate operations mechanisms for those Chinese companies that qualify as online gaming or animation businesses. Along with Chengdu, Guangzhou and Shanghai, the establishment of this new base has made Beijing a national game development center. According to local media, by 2010 the Beijing zone will achieve RMB4 billion annually and grow at about 50% each year. (Jun 5, ChinaTechNews)

## **Medical & Healthcare**

### **AIDS predicted to cost China \$US40 billions in economic losses China**

AIDS is likely to cause nearly \$US40 billion in losses for China's economy over the next five years, mostly because of lost labor as patients die or fall sick, according to a Xinhua news agency report. Quoting health ministry statistics the report said millions more was likely to be lost as a result of reduced productivity in the agricultural sector. The predicted losses account for less than 0.3 per cent of China's expected accumulated gross domestic product for the coming five years. An estimated 650,000 people had the HIV virus in China at the end of last year, according to a study carried out by the health ministry, the World Health Organization and UNAIDS. (Jun 7, ChinaNational News)

### **Beijing Med-Pharm is interested to buy Shanghai Rongheng**

Beijing Med-Pharm Corp., which helps U.S. and European pharmaceutical companies that are trying to sell their products in China, said Friday it is trying to acquire a majority ownership in a pharmaceutical-distribution enterprise with operations in Shanghai, China's largest city. Beijing Med-Pharm, based in Plymouth Meeting, Pa., is proposing to buy the distributor -- Shanghai Rongheng Pharmaceutical Co. Ltd. -- from Shanghai CAS Shenglongda Biotech Co. Ltd. and Shanghai Rongheng International Trade Co. Ltd. of the Orient International Co. (Philadelphia Business Journal 2006-05-15)

### **Skystar Bio-Pharmaceutical Co., Ltd Announces Partnership With Tianlong Technology**

Skystar Bio-Pharmaceutical, a leading Bio-Pharmaceutical Company in China, announced a joint venture with Xi'an Tianlong Science and Technology Limited, who has developed a quick and accurate method for detecting the presence of the Avian Flu Virus. Xi'an Tianlong Science and Technology Limited Company is a state-level high technology enterprise specializing in vitro diagnosis medical instruments as well as bio-technology instruments. This successful partnership with Xi'an Tianlong Science and Technology will be a new source of growth for Skystar both now and in the future. Skystar's continued development of new products, future partnerships and future acquisitions will help solidify Skystar as a leader of the Bio-Pharmaceutical industry in China. (Market Wire 2006-05-15)

## **AMD, Inc. Board of Directors Approves Acquisition of Two Chinese Pharmaceutical Companies**

AMD, Inc. , developer and marketer of tests for the early detection of cancer and other serious diseases, announced that its Board of Directors has unanimously approved the stock purchase agreement for the acquisition of Jade Pharmaceutical, Inc. and its two wholly owned subsidiaries JiangXi JieZhong Jade Bio-Chemistry Pharmacy Company Limited and Yangbian Yiqiao Bio-Chemistry Pharmacy Limited of China. The Board of Directors and shareholders of Jade Capital Group Limited has also approved the sale, which is subject to the approval of the AMDL stockholders. *(PRNewswire 2006-05-18)*

## **China Biopharmaceuticals to Acquire Leading China Pharmaceutical Group**

China Biopharmaceuticals Holdings, Inc. ("CBH"), a leading Chinese pharmaceutical company focused on the development, manufacturing and distribution of innovative drugs in China, announced the signing of a conditional agreement to purchase all of the shares in RACP Pharmaceutical Holdings Ltd. and its wholly owned subsidiaries, including Shenyang Enshi Pharmaceutical Co., Ltd. , from RimAsia Capital Partners L.P..

Shenyang Enshi Pharmaceutical Co. Ltd., based in Shenyang, China, is engaged in the manufacturing and distribution of pharmaceutical products. China Biopharmaceutical Holdings, Inc (CBH) is a research driven pharmaceutical company dedicated to the discovery, development, manufacturing and marketing of small and large molecule pharmaceutical products, including medicines, vaccines, and active pharmaceutical ingredients for various categories of diseases. CBH is a US public company with operating subsidiaries and senior management based in China.

*(PRNewswire 2006-05-18)*

## **China begins comprehensive check of pharmaceutical plants**

China has launched a comprehensive check of pharmaceutical plants nationwide after a fake drug caused the death of five people.

Five people died and six people were hospitalized after they were injected with the fake drug Armillarisni A injection made by the Qiqihar No. 2 Pharmaceutical Co.,Ltd. in northeast China's Heilongjiang Province. The government has shut down the plant and banned the sale of all medicines made by it. Further investigations revealed the Qiqihar No. 2 Pharmaceutical Co.,Ltd. had been producing four other fake drugs before its closure. *(Xinhua 2006-05-22)*

## **Medical Services Increases Contracts in China**

Medical Services International Inc. announces that it has increased its contracts in China. The Company is now supplying 18 separate hospitals in China the VScan HIV test kit. This is in addition to pharmaceutical companies, a large industrial company with in excess of 300,000 employees, one retail chain, and the Company expects to add another retail chain within 60 to 90 days. This group currently using the VScan test kit just represents the SE China area. The Companies' distributor has started to introduce the VScan products into northeast China and has been receiving a very positive response to the VScan test kits. As reported earlier the existing contracts represent in excess of 25 million US dollars in sales over a three year period. It is anticipated that the Company will be able to arrange additional contracts in northeast China that will add a further 3 to 4 million US dollars in sales from China.

Medical Services International Inc. trades in the United States on the NQB Pinksheets under the symbol "MSITF". For further information, see <http://www.medicalservicesintl.com> or <http://www.minerva-biotech.com> .  
*(Yahoo 2006-05-26)*

## **Inverness Medical Innovations, Inc. Acquires Manufacturing Facility In China From ACON Laboratories, Inc. For Approximately \$175M**

Inverness Medical Innovations, Inc. announced today that it has acquired a newly-constructed manufacturing facility in Hangzhou, China, as part of its acquisition of ACON Laboratories' business of researching, developing, manufacturing, marketing and selling lateral flow immunoassay products in the United States, Canada, Western Europe, Israel, Australia, Japan and New Zealand.

The sale of the new manufacturing facility was triggered when the parties agreed that the facility was fully functional with respect to the first substantial product and the facility is now producing several of the drugs-of-abuse testing products acquired from ACON. The remaining products acquired from ACON are expected to be transitioned to the new facility during the remainder of 2006. ACON Laboratories retains its existing manufacturing facility, also in Hangzhou China. (PRNewswire 2006-05-19)

### **US's Warburg Pincus to acquire China's Gum**

Warburg Pincus, a US buy-out firm, plans to acquire Gum, a producer of a food additive, with about 100 mln usd in financing in a leveraged buy-out, the South China Morning Post reported.

Gum produces xanthan gum, made from fermented corn sugar, which can be substituted for gluten in food that is baked, such as pizza dough. The chemical is also used as a thickening agent in cosmetics and in the oil industry. Gum has an annual production capacity of 20,000 tones, mainly for export, and supplies multinational food companies such as Kraft and Unilever. (Forbes 2006-05-28)

### **AstraZeneca announces \$100 Million investment to battle cancer in China**

Anglo-Swiss pharmaceutical giant AstraZeneca said it planned to invest \$100 million (£54m) in China over the next three years. The prime focus of the R&D programme would focus on the benefit and value of innovative medicines for Chinese patients, will be the establishment of an innovation centre China. Initially, it will concentrate on oncology research.

The company is currently searching for an appropriate location for the centre, which will be operational by the end of 2009. It will focus on translational science by developing knowledge about Chinese patients, biomarkers and genetics. The initial therapeutic area for the innovation centre will be cancer, which is a major cause of death in China. (Manufacturer.com 2006-05-28)

### Others

#### **China's aviation transportation ranks 2nd in world**

China's overall aviation turnover by regular flights reached 25.77 billion ton/kilometers in 2005, ranking the second in the world, only after the United States. According to the statistics from International Aviation Organization and the General Administration of Civil Aviation of China, China's international route turnover reached 8.38 billion ton/kilometers last year, up 9.2 percent compared with 2004, still ranking the 10th in the world. Passenger turnover reached 201.96 billion passengers/kilometers, up 14.6 percent. Cargo turnover surpassed 7.57 billion ton/kilometers, up 7.9 percent compared with the previous year. (Jun 3, Xinhua)



## **2008 Beijing Olympic Games**

### **Thumbs Up for Olympic Groundwork**

IOC officials yesterday gave Beijing the thumbs up to the city's preparations for the 2008 Olympic Games after three-day visit and meetings with the organizers. Despite the frequent sandstorms which have hit Beijing this spring, local officials remain optimistic that the Games will in fact be a "Green

Olympics." The Beijing municipal government has invested heavily to improve the city environment since it won the right to host the Games. It spent 60 billion yuan (US\$7.5 billion) on pollution control projects between 2000 and 2005. (*China Daily May 19, 2006*)

## **WHO Sets Olympic Goals**

The World Health Organization urged the organizer of 2008 Beijing Olympics to take action to meet the immense challenge of handling public health and emergency response issues during the Games.

China had greatly enhanced its monitoring systems since the SARS outbreak which arrived in Beijing in 2003 and 2004 and the recent bird flu problem. But WHO's China Representative warned that China must strengthen epidemic surveillance capacity from the bottom up.

China has established the world's biggest reporting system for many infectious diseases. In the coming two years it would become an increasingly urgent task for China to set up a surveillance system and information-sharing network. Beijing had already established a comprehensive prevention and control system, including surveillance and response, to contain any outbreaks of infectious diseases. As well as infectious disease prevention China has also begun to work comprehensively in a range of other public health fields.

(*China Daily May 18, 2006*)

## **Italy Helicopters to Serve 2008 Olympics**

Beijing police will purchase advanced helicopters from Italy Augustwestland Helicopter company, which will serve for security of 2008 Olympics.

Beijing police will purchase four such helicopters which will be delivered around April 2007, according to Beijing Daily. (*Xinhua News Agency May 26, 2006*)

## **Beijing Unveils Plans to Ensure Green Olympics**

Landscape engineers in Beijing have developed new technologies to create a greener environment for the 2008 Olympic Games.

In July and August, Beijing is short of flowers due to the scorching sun but local authorities are aiming to turn the national capital into a city "shrouded in green and wreathed with flowers". Beijing Municipal Gardening and Forestation Bureau is carrying out a "green roof" project which involves planting green plants on the top of buildings no more than 12 stores high along the main avenues of Beijing and beside the Olympic venues. It is expected that 80,000 to 100,000 square meters of roofs will have plants by the end of this year; by 2008, it will reach 300,000 square meters. (*Xinhua News Agency May 11, 2006*)

## **HK to Support Beijing Olympics with Advanced Technology**

Hong Kong Observatory's Nowcasting System will support the specialized weather forecasting service for Beijing Olympics and a trial version will be shipped to Beijing this summer for a preliminary demonstration.

To support the Olympic equestrian event in Hong Kong, the observatory has also developed a system to monitor a horse's heat stress, and will collect the necessary climatological data starting this summer.

(*Xinhua News Agency June 2, 2006*)

## **Yadu Becomes Air Humidifier & Purifier Supplier of Beijing Olympics**

Yadu Indoor Environmental Protection Science & Technology Co. Ltd became the air humidifier & purifier exclusive supplier of the 2008 Olympic Games.

Under the sponsorship deal Yadu signed with the Beijing Olympics Organizing Committee (BOCOG), the Beijing-based enterprise will provide funds to BOCOG, the Chinese Olympic Committee and the Chinese sports delegation to the 2008 Games. (*Xinhua News Agency May 12, 2006*)