

SCI China Market Update – August 2011

If you just have a quick look at the recent performance of Wall Street, I bet you will agree that it makes more sense to sell your products to China as well as other international markets. Official figures confirmed that, in 2009, China overtook the US to become the world's top auto maker and market. In fact, China has also become one of the world's largest markets for all kinds of technical products from iPhones to Boeing aircraft, while exporting more and more higher value- added engineering products to the world.

China's buying remains strong. For instance, despite US economic and financial challenges, our high-end US manufacturing clients are working at capacity and selling briskly to China. We recently helped our client, Waukesha Magnetic Bearings, sell magnetic bearing systems to China's nuclear power OEMs. And another of our clients, Wasik Associates, has successfully installed a highly sophisticated and expensive system for electron beam processing in Shanghai, and we secured another buyer in Hubei Province just last week. With China's continuing inflation and RMB revaluation, together with good relations with the US and strong market demand, China is likely to buy more from the US. Some very recent China economic and industrial data are provided below for your information:

Reaction to US debt crisis and S&P Downgrade China is facing many difficulties in dealing with the current financial storm, including possible shrinkage of foreign exchange assets, an impact on exports and higher imported inflationary pressure. Although China's true reaction to the US debt crisis and S&P downgrade is hard to gauge, Xinhua news jumped on the S&P downgrade with a blunt warning: "The US government has to come to terms with the painful fact that the good old days when it could just borrow its way out of messes of its own making are finally gone. China, the largest creditor of the world's sole superpower, has every right now to demand the United States to address its structural debt problems and ensure the safety of China's dollar assets." Economist Sun Lijian spoke in People's Daily of a "warning bell for the international currency system dominated by the U.S. dollar." And Xinhua, going further, added the suggestion that, "International supervision over the issue of U.S. dollars should be introduced and a new, stable and secured global reserve currency may also be an option to avert a catastrophe caused by any single country."

China to allow faster currency appreciation China, supported by rising exports, is expected to allow a faster appreciation of its currency, which also enables the country to stave off hot money inflows and combat inflation. The People's Bank of China set the official medium trading price at 6.4167 Yuan against one U.S. dollar, marking a new record high of the Chinese currency against the dollar since Beijing embarked on revaluation reform in July 2005. This value surge marks a steep rise of 168 basis points from Tuesday's 6.4335 Yuan per US dollar.

So far this year, China's currency has appreciated by about 3 percent. Most Chinese experts predict that Beijing would allow an appreciation of the Yuan higher than the 5% last year.

China also faces rising inflationary pressure as inflation reached a 37-month high of 6.5% in July.

China trade surplus rises on surprise export surge China's trade surplus for July hit \$31.5 billion, the highest in two and a half years, thanks to higher-than-expected export growth, especially to the European Union and emerging economies like Indonesia, Argentina, Brazil and India. The surplus eased fears that the US and European debt crises might hurt global demand for Chinese goods.

Officials and experts said that they believe export growth will remain robust in the third quarter, driven up by rising orders from overseas ahead of the Christmas shopping season. But it is still too early to predict whether US and European debt woes would hurt Chinese exports in the long term, they said. China's exports surged 20.4% from a year earlier to \$175.13 billion in July, a record high, while imports rose 22.9% year-on-year to \$143.64 billion, according to the General Administration of Customs (GAC).

China suspends new railway projects after crash China has suspended all new railway construction projects as controversy swirls over the fatal high-speed crash several weeks ago in Wezhou. Rail authorities have also reduced the speed of trains running on newly-built high-speed lines and will conduct safety checks on all existing fast links as well as those under construction. "We will suspend for the time being the examination and approval of new railway construction projects," the State Council said.

Developing the world's largest high-speed rail network has been a key political goal for Beijing, but the deaths of 40 people in a collision of two high-speed trains on July 23 provoked public outrage and forced it to rethink. The crash - China's worst rail accident since 2008 - triggered a flood of criticism of the railways ministry and sparked accusations that the government had compromised safety in its rush to develop.

China's Concord Medical to work with GE Healthcare Concord Medical Services Holdings Ltd., which operates a network of radiotherapy and diagnostic imaging centers in China, said it will partner with General Electric Co.'s GE Healthcare in that country. Concord, based in Beijing, said the deal includes a preferred supplier relationship in which it will be able to buy GE Healthcare products "at the best possible prices." This includes imaging equipment, monitoring devices and hospital integration platforms, among other things. Concord's stock rose 31 cents, or 7.7 percent, to \$4.36 in morning trading. General Electric rose 2 cents to \$15.11

The companies also will cooperate on academic and marketing programs, including seminars and conferences. Concord also said it will work with GE Healthcare to expand into rural and primary-care markets through financial leasing or other business strategies. GE Healthcare, which makes diagnostic imaging equipment, said last month that it is moving its X-ray global headquarters from Waukesha, Wis., to Beijing as it seeks to tap China and other emerging markets. GE Healthcare plans to launch more than 20 new products in China over the next two years. The move followed an announcement last year that GE plans to invest \$2 billion in China, including \$500 million in six research centers.

China sales boost AB InBev profit The world's largest brewer, Anheuser-Busch InBev NV, said Thursday that second-quarter profits rose by over a quarter as higher sales in China made up for declining demand in the U.S. and Brazil. The Asian-Pacific region, led by China, is now AB InBev's third biggest market, cushioning the brewer from difficult economic conditions in its traditional sales bases. Beer volumes in China, where AB InBev is pushing its Budweiser as well as Harbin and Sedrin brands, rose 12 percent in the second quarter, compared with a year earlier. The strong performance in China helped grow the company's net profit to \$1.45 billion, while revenue increased 8.5% to \$9.52 billion. In the U.S., the company blamed high unemployment especially among young men, their key consumer group.

Details about Shanghai Disneyland released While the West worries about sovereign debt, Shanghai Disneyland begins to take shape. In an interview with the International Finance News, Thomas Steig, President of Walt Disney Parks and Resorts, released information about the latest progress and specific details of this project. Steig said the project is in full swing since it broke ground four months ago. He said that some special design elements will be applied to Shanghai Disneyland. First, the landmark for this theme park is the world's largest, highest and most interactive castle. Second, the castle will be named "Fantastic Fairytale Castle," which is different from the other castles that are named after princesses.

583 plants closed in lead battery plant overhaul. A total of 583 lead battery manufacturing plants were shut down after government authorities conducted a series of inspections earlier this year in an effort to reduce heavy metal pollution. According to a statement issued on Tuesday by the Ministry of Environmental Protection (MEP), a total of 1,930 lead battery production, assembly and recycling plants have been inspected as of the end of July. Of these plants, 252 were given permission to continue operating and 80 were still under construction. Operations for 1,015 of the plants were suspended, the statement said, adding that the names of all of the plants have been publicized. Heavy metal pollution is a serious concern in China. A toxic spill led to the poisoning of 168 people in east China's Zhejiang province in March.

For more information about us, please take a look at our full approach and advantages on our website at www.s-c-i.com, or call Shiqiang Gu at 610-828-8061, or Dr. Timothy Weckesser at 610-828-8060.

Best regards,

Shiqiang Gu
Vice President & COO

Sino Consulting, Inc. (SCI)
Tel: (610) 828 8061
Web: <http://www.s-c-i.com>