



北京华通人商用信息有限公司

ALL CHINA MARKETING RESEARCH CO., LTD.

ACMR Newsletter

China Industry and Economic Review

September 2010



Economic Spotlight:**Seven Strategic Emerging Industries:****Engines for Economic Restructuring in China**

On September 8, 2010, at the State Council executive meeting chaired by Premier Wen Jiabao, the *Decision to Accelerate Nurturing and Developing Strategic Emerging Industries* was examined and approved in principle. In this *Decision*, energy saving and environment protection, next-generation information technology, biotechnology, advanced equipment manufacturing, new energy, new materials, and new-energy vehicles were identified as the seven emerging industries of strategic importance in the future.

This planning on strategic industries is another large-scale industrial investment plan launched by the government after the “four trillion rmb” investment. However, being essentially different from the “four trillion rmb” investment, the planning on strategic industries tends to lay the foundation of China’s economy in the future. The “four trillion rmb” investment is more of a temporary stimulus package to boost domestic demand to offset the negative impact of global financial crisis, while the planning on strategic industries this time aims to erect new pillars to make future economic development in China sustainable.

Planning on Strategic Industries for Quite Some Time

The selection of strategic industries bears China’s future prospects. After preparation for nearly one year, there had been some minor adjustment in this planning. The selection program of strategic emerging industries commenced in the end of 2009, and those selected seven industries include: new energy, energy saving and environment protection, electric vehicles, new materials, new medicines, bio-breeding, and information industry. In the list released recently, bio-breeding was expanded to biotechnology; electric vehicles were expanded to new energy vehicles; and new medicines were replaced by advanced equipment manufacturing.

Seven Strategic Emerging Industries and Key Sub-segments

Emerging Industries	Key Sub-segments
Energy Saving and Environment Protection	Efficient and energy saving, advanced and eco-friendly, cyclic utilization
Next-generation Information Technology	Next-generation communications network, Internet of things, triple play, high-performance integrated circuits and high-end software
Biotechnology	Bio-medicine, bio-agriculture, bio-energy, bio-manufacturing
New Energy	Nuclear power, solar power, wind power, photovoltaic power, biomass energy
New Energy Vehicles	Plug-in hybrid vehicles and pure electric vehicles



ACMR Newsletter

September 2010

Advanced Equipment Manufacturing	High-speed railway equipment, aerospace equipment, marine engineering equipment, high-end smart equipment
New Materials	High-performance composite materials, materials with special features

Source: ACMR Industry Research

Industrial Upgrading as a Whole

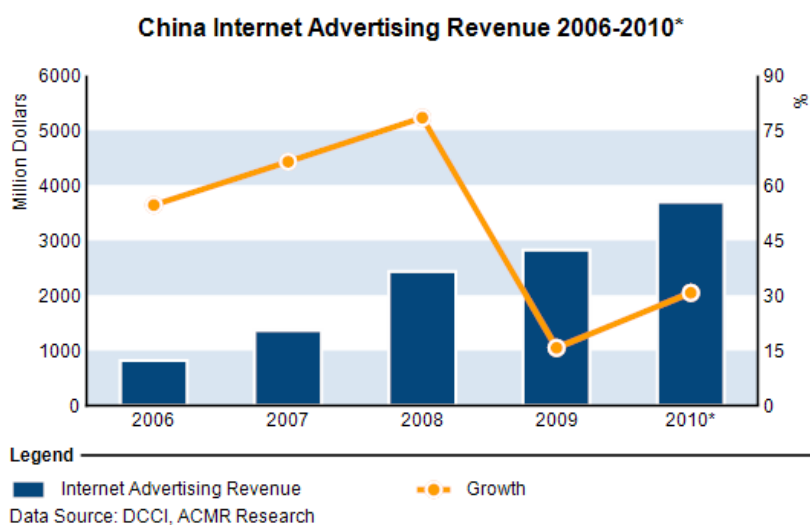
In comparison with sporadic and isolated support policies in the past, planning on strategic emerging industries as a whole this time reflects Chinese government's rising awareness of the importance of emerging industries. The government plans to provide proper regulations as well as financial support.

The main specific support measures include: market demand and environment nurturing, establishing major demonstration project, supporting business model innovation, establishing industry standard, and completing market access system. The government also encourages financial organizations to increase credit support and promotes development of venture capital and equity investment funds.

Advertising Agencies in China:

Internet Advertising in Rapid Growth

Internet advertising has been expanding rapidly in recent years with increasing penetration of Internet into people's lives. From the second half of 2008, global financial crisis caused considerable difficulties on Internet advertising as well as the advertising industry as a whole. However, since the second half of 2009, with rising of confidence about economic growth, this market began to recover slowly. In 2010, China Internet advertising market is expected to maintain the rapid growth trend.



According to data from Data Center of the China Internet (DCCI), in 2009, China Internet advertising revenue amounted to \$2.83 billion, up 15.8% from 2008. In the first half of 2010, mainly due to strong macro-economic performance, increasing of television advertising rates, and holding of the football World Cup, World Expo and auto shows, China Internet advertising market maintained strong growth momentum. In the second half of 2010, with rising value of new media, such as video websites and online community websites, and the holding of Olympic Winter Games in Vancouver and Guangzhou Asian Games, rapid growth of this market is expected to continue. Market size of Internet advertising in 2010 is forecast to increase to \$3.7 billion, up 30.8% from 2009.

In the Internet advertising market, web search, online community and video web sites are the three major driving forces. In the first half of 2010, the advertising revenue of web search, integrated portal, independent video websites and broadcast platforms, advertisement alliance, and online community websites was \$717.9 million, \$342.9 million, \$55.7 million, \$190.5 million and \$61.5 million, respectively. Of those segments, the growth rate of web search advertising revenue was highest, followed by video website advertising.



ACMR Newsletter

September 2010

Major Industry Participants

Company Name
Beijing Dentsu Advertising Co., Ltd.
Saatchi & Saatchi China.
Leo Burnett Shanghai Advertising Co., Ltd.
Shanghai Advertising Co., Ltd.
AVIC Culture Co., Ltd.

Source: National Bureau of Statistics, ACMR

Cinemas in China:

China's Cinemas Industry Continues to Develop at High Speed

Cinemas Industry in China has developed rapidly in recent years. From 2006 to 2010, sales revenue of the industry is estimated to increase from \$421.1 million to \$1.46 billion (constant 2010 dollars), representing an annualized rate of 34.6%. In 2009, total film box office revenue in China amounted to about \$958.6 million, ranking the seventh in the world.

Driving Forces

Household disposable incomes in China have been rising steadily in recent years due to the rapid development of China's economy. More people are able to afford expenditure on leisure activities. Domestic demand for film-screening services has therefore increased significantly in recent years.

The rapid development of both film-making technologies and film-screening equipment manufacturing technologies have improved film quality dramatically, and attracted more customers. Film content has also diversified and now attracts a wider audience.

In addition, implementation of the "Cinema Circuit System" and the government's heavy regulations on ownership of cinema operators also contribute development of China's cinemas industry.

Chinese Films Lead the Market

In 2009, although the global financial crisis that started in late 2008 has affected many industries in China but the Cinemas Industry. Total film box office revenue in China amounted to \$958.6 million, up 38.5% from 2008.

In 2009, China produced 456 feature films, 12 of which generated box office over \$14.6 million. The market share of Chinese films was 56.6% in 2009, surpassing the imported films for successively seven years.

Digital Films on the Rise

With advancement of digital films production and projection technologies, digital films gradually become one of the driving forces for revenue growth of China's films. Development of 3D film in recent years further promotes the digital progress. Screens of China's 3D films also experienced dynamic growth, surging from about 80 in 2008 ("Journey to the Center of the Earth") to about 500 in the first half of 2010 ("Avatar"). The total number of China's 3D screens is expected to exceed 1,000 by 2010.



ACMR Newsletter

September 2010

Major Industry Participants

Company Name
Dalian Wanda Group
China Film Stellar Film Chain Co., Ltd.
Shenzhen China Film South Cinema Circuit Co., Ltd.
Shanghai Film Group Corporation
Beijing New Film Association Co., Ltd.

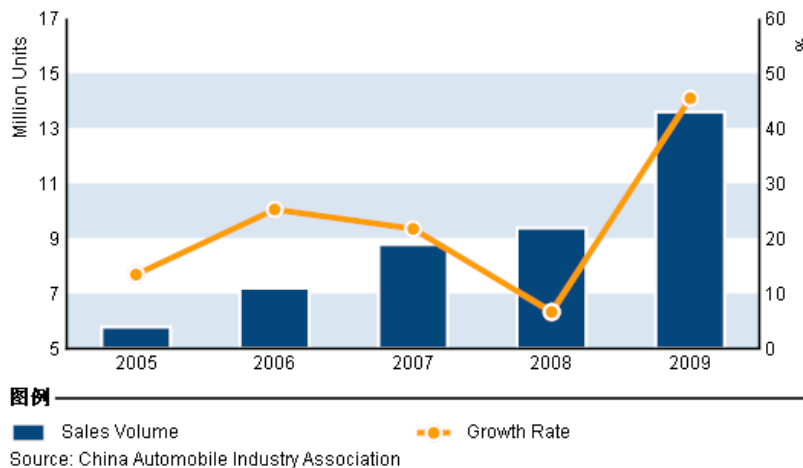
Source: SARFT, ACMR

Automobile Manufacturing in China:

Upcoming Peak Season Stimulates Automobile Sales

In 2009, the central government issued a series of favorable policies to stimulate the development of the Automobile Manufacturing Industry in China. As a result, sales volume of automobiles in 2009 totaled 13.65 million units, up 46.2% from 2008. Sales volume of passenger vehicles in the year amounted to 10.33 million units, up 52.9% from 2008, while commercial vehicles realized sales volume of 3.31 million units, up 28.4% from 2008.

Sales Volume of Automobiles in China, 2005-2009

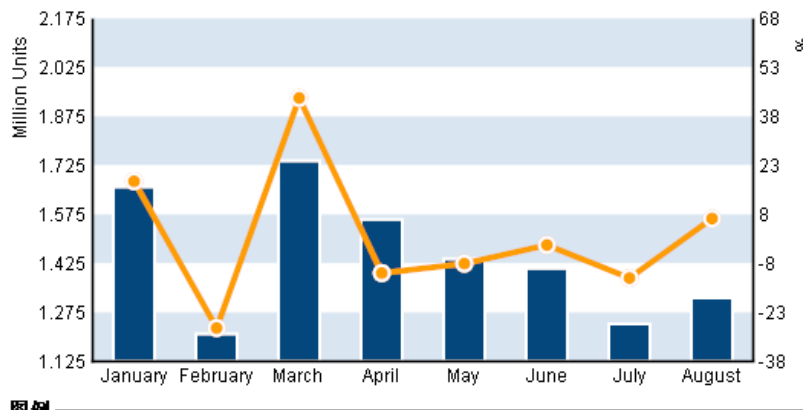


Passenger vehicles with below 1.6L cc are levied purchase tax of 7.5% in 2010. Sales volume of automobiles in China continued increasing in the first quarter of 2010 due to the remaining positive influence of favorable government policies. According to China Automobile Industry Association, sales volume of automobiles amounted to 1.6 million units in January 2010, and peaked at 1.74 million units in March.

However, sales volume of automobiles underwent decreases in the period from April to July due to seasonal cycles and weak market demand. In July, the industry realized sales volume of automobiles of 1.24 million units, down 11.9% from June. The decrease rate of commercial vehicles was even higher, reaching 19.4% in July.

In August 2010, domestic demand started to recover due to the upcoming traditional peak season of automobiles. Sales volume of automobiles in August totaled 1.32 million units, up 6.3% from July. Passenger vehicles realized sales volume of 1.02 million units, up 7.7% from July, while sales volume of commercial vehicles amounted to 0.3 million units, up 1.8% from July.

Sales Volume of Automobiles in China, January to August 2010



图例

■ Sales Volume

—●— Growth Rate

Source: China Automobile Industry Association

By the end of August 2010, the industry realized sales volume of automobiles of 11.58 million units, including 8.68 million units of passenger vehicles and 2.90 million units of commercial vehicles. September and October are the traditional peak season for the industry. As a result, sales volumes of automobiles in the following months are expected to continue increasing.

Key Statistics of the Automobile Manufacturing Industry in China, 2009

Indicator	Value	Year-on-year Growth (%)
Industry Revenue (USD Million)	233326.6	23.2
Industry Profit (USD Million)	17966.2	53.0
Exports (USD Million)	5704.2	-46.3
Imports (USD Million)	18986.5	-3.4
Automobile Output Volume (Thousands Units)	13791.0	47.6

Source: National Bureau of Statistics, China Customs, ACMR

Major Industry Participants List

Company Name
China FAW Group Corporation
Dongfeng Motor Co., Ltd.
Shanghai Automotive Industry Corporation
Beijing Auto Industry (Holding) Corporation
ChangAn Auto Group

Source: National Bureau of Statistics, ACMR



ACMR Newsletter

September 2010

What's New?

We currently have 177 China industry reports available across 18 economy sectors, and the number of reports is expected to reach 182 by the end of September 2010.

Recent reports and reports to be released include:

Published in August 2009:

- 0330** Poultry Farming in China
- 3421** Metal Cutting Tools Manufacturing in China
- 3761** Aircraft Manufacturing and Repairing in China
- 5110** Inter-urban Railway Transportation of Passengers in China
- 5531** Airports in China
- 7220** Realty Management in China

To be released in September/October 2010:

- 0916** Aluminum Ore Mining in China
- 1320** Pet Food and Animal Feed Manufacturing in China
- 1451** Canned Food Manufacturing in China
- 4062** Bare Printed Circuit Board Manufacturing in China
- 7230** Real Estate Intermediation (Brokers and Agents) in China

Updated in August 2010

- 0790** Support Activities for Oil and Gas Mining in China
- 7440** Advertising Agencies in China
- 8511** General Hospitals in China
- 0810** Iron Ore Mining in China
- 2614** Organic Chemical Material Manufacturing in China
- 1711** Cotton Fabric and Yarn Manufacturing in China
- 3613** Building Construction Equipment Manufacturing in China
- 3070** Plastic Parts Manufacturing in China
- 3931** Wire and Cable Manufacturing in China
- 2411** Stationery and Office Supplies Manufacturing in China
- 6620** Motels in China
- 2421** Sporting Equipment Manufacturing in China
- 6592** Mail-order and Electronic Shopping Operators in China
- 8441** Higher Education in China
- 6020** Internet Services in China
- 4411** Thermal Power Generation in China
- 1440** Liquid Dairy and Dairy Products Manufacturing in China



ACMR Newsletter

September 2010

3711 Rail Transportation Equipment Manufacturing in China

7433 Business Management Consulting Services in China

4042 Computer Network Equipment Manufacturing in China

6930 Securities Investment in China

0610 Coal Mining in China

3726 Automobile Repair Services in China

0221 Timber Logging in China

5320 Underground Rail and Subway Transportation in China

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