

CHINA

1. MARKET OVERVIEW

China's economy has the attention of the world, and for many reasons: it is expected to remain the fastest-growing major economy at 8% annual GDP growth in the near future; its growth has transformed it into the world's largest consumer of basic commodities, and second-largest (to the US) in consumer goods; it has a cheap, skilled and educated workforce numbering in the hundreds of millions; and its population of 1.3 billion offers enormous retail opportunities. In some ways, China is one of the most open major economies in the world; over 60% of its GDP comes from trade. Multinationals from the US, Japan and Europe have led the way in using China as an offshoring platform for the labour-intensive stages of goods production, which has accelerated China's industrialization and made it globally competitive in a broad spectrum of industries. The continued implementation of its WTO accession commitments, especially those on services and intellectual property rights, is expected to take several years but will gradually open up more sectors of importance to BC investors.

While the story of China's growth into a manufacturing powerhouse with an enormous appetite for commodities is well known, other emerging trends deserve attention. The government's "Go Global" policy encourages Chinese companies to make foreign investments, and is part of the government's aim to make 100 to 150 state-owned companies into global competitors. Canada was among one of the first countries to

see this applied with Minmetals' ultimately unsuccessful takeover bid for Noranda Inc. Companies in BC's wood, metals and energy sectors may prove attractive to Chinese investors.

Another emerging trend is China's climb up the innovation ladder. Although its spending on R&D is still just 1.2% of GDP, private and public spending on R&D has more than doubled in the past decade, making it the third-largest R&D investor in the world. In particular, China is fostering higher value-added product development in biotechnology, nanotechnology and materials science. Investments are being made by government agencies and domestic companies. Despite concerns about the prevalence of intellectual property piracy, foreign companies are also establishing R&D centres and manufacturing joint ventures that use their technologies. Each year universities graduate hundreds of thousands of engineers and scientists, while research institutes and universities are having greater success in attracting venture capital to generate spin-offs.

Two other important trends shaping Chinese society are the environmental degradation that has accompanied its economic growth and the country's aging population. Waste management, sanitation, sustainable energy and provision of energy efficient goods are all growth markets where China can benefit from green technologies. China is expected to invest US\$61 billion in city wastewater treatment facilities alone by 2010. The 2008 Beijing Olympics will also create

many opportunities. Beijing has invited foreign companies to bid on a US\$21 billion plan for infrastructure and venues, and these will have to comply with green regulations. Separately, China's aging population will in the next several decades more than double the over-65 population cohort, creating large retail opportunities in the medical biotechnology sector.

It is easy when looking at China to see it as one monolithic market. But the country is better understood as comprising several markets, each of

which may be as large as several countries combined. With all the attention on China's economic vitality and growing size, it is easy to forget that outside a few cities, China is still a developing country. Due to the challenges imposed by the size of the country, its large bureaucracy, fierce competition, regional tastes and cultural differences, success in one region can not always be transplanted elsewhere.

The government estimates it needs infrastructure investment of more than US\$150 billion. China's urban

residents still only represent 30% of the country's population, so residential and commercial building will be unlikely to show any drop over the next several decades. With rising wealth, consumers will be able to afford a greater variety of products and services, such as travel, health foods, electronics, cultural goods and services and even luxury goods in retail, automobile and building sectors. However, even with a yearly GDP growth rate of 7-8%, China's GDP per capita, currently US\$5,600 on a PPP basis, will still only be about US\$15,000 by 2020.

2. BRITISH COLUMBIA'S RELATIONSHIP WITH CHINA

MERCHANDISE TRADE

Since the days when Douglas fir logs were shipped to China to be erected as masts on sailing ships during the late 19th century, Canada's west coast and China have enjoyed a healthy trade relationship. China is now BC's second-largest trading partner, having passed Japan last year for the first time. With time it will likely become our second-largest export market, but at the moment BC's exports to China are only half of those to Japan, and are dwarfed by BC's exports to the US. Nevertheless, China is by far the province's fastest growing export market. At the same time, however, BC's share of China's import market has shrunk over the past decade, even as China's share of BC's imports has grown.

The bulk of exports shipped to China from BC are commodities such as pulp and paper, ethylene glycol (actually manufactured in

Alberta), coal, copper and other minerals which feed China's vast manufacturing sector. However, value-added products from electronics to foodstuffs to wood products are growing in importance as China's economy booms and consumers search for new products.

Chinese goods have become ubiquitous throughout Canada, in the clothes and shoes we wear, the electronic and digital products we use, and in the furniture with which

Rupert port. In the past decade, the nature of our imports has changed in ways that reflect China's growing prowess in manufacturing: from importing light manufactured goods, we now import value-added manufactured and consumer goods such as computers and electronics as well.

SERVICES TRADE

Data on BC's services trade with China is not available; however, the statistics at the national level reveal

TABLE 1 GROWTH IN BC'S TOP THREE EXPORT MARKETS

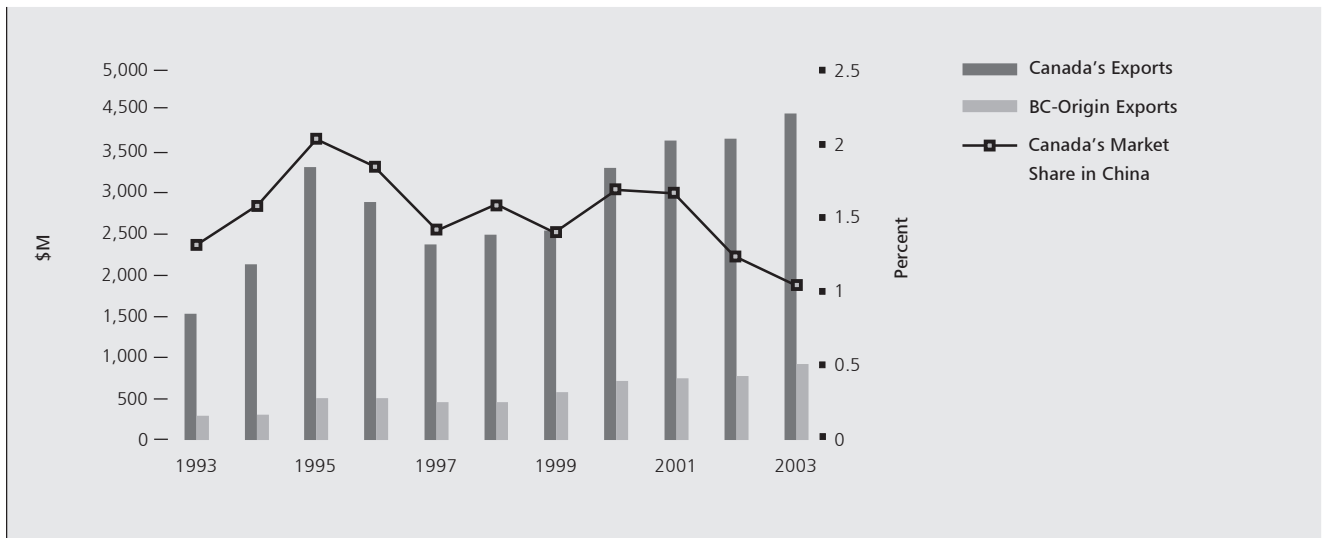
\$Billions	2003	2004	% Change
US	\$18.8	\$20.1	+7.0
Japan	\$3.6	\$3.8	+5.6
China	\$0.9	\$1.3	+44.4

Source: Statistics provided by BC Stats, 31 August and 9 September 2005.

we decorate our homes. The huge flow of Chinese goods into North American markets through west coast ports keeps the Port of Vancouver growing at record pace and spurring investment at Prince

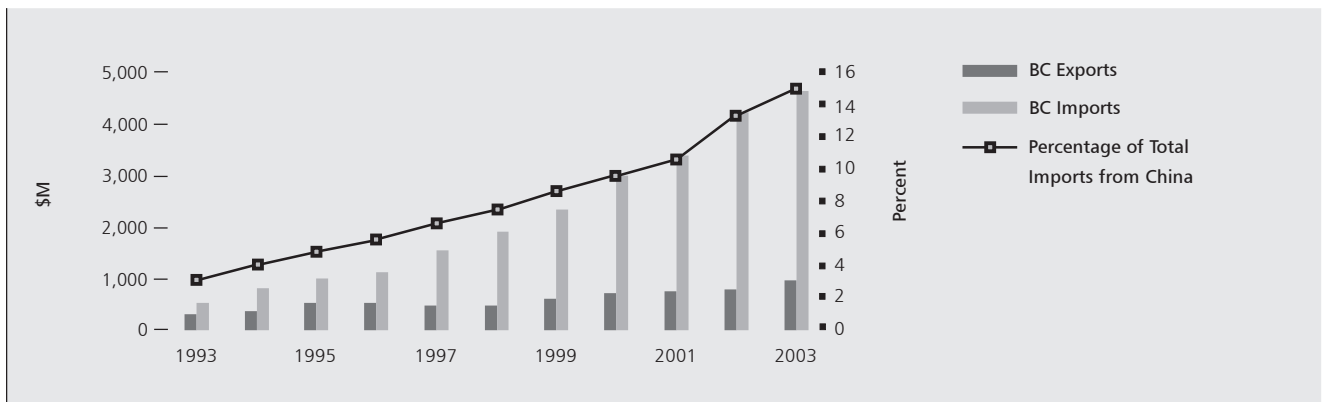
the growing value of service exports to China, and equally our imports from China. Travel services to China have increased the most, while Canada's imports of commercial services have been China's strongest

CHART 1 EXPORTS TO CHINA FROM CANADA AND BC



Source: Trade Data Online. Industry Canada. 14 September 2005. <http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html>; BC Stats, September 9, 2005; International Monetary fund, Direction of Trade Statistics Yearbook, various years.

CHART 2 BC-CHINA TRADE AND MARKET SHARE, 1993-2003



Source: BC Stats and Trade Data Online. Industry Canada. 14 September 2005. <http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html>. BC export statistics provided by BC Stats, September 9, 2005.

TABLE 2 BC'S MERCHANDISE TRADE, 2004

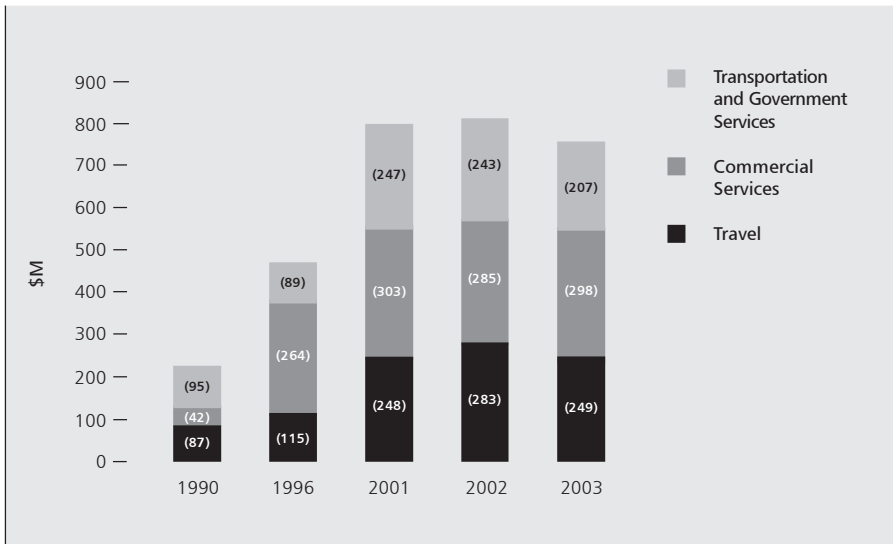
BC IMPORTS FROM CHINA				BC-ORIGIN EXPORTS TO CHINA			
Rank	Merchandise Classification	(\$M)	%	Rank	Merchandise Classification	(\$M)	%
1	Electrical machinery and parts	988.7	16	1	Wood pulp and other pulp	638.5	49
2	Boilers, mechanical appliances, etc.	838.6	14	2	Mineral fuels, oils and waxes	116.2	9
3	Toys, games, sporting goods & parts	722.2	12	3	Wood and wood articles, charcoal	71.2	5
4	Furniture, bedding, mattresses, etc.	599.8	10	4	Ores, slag and ash	58.9	5
5	Iron and steel articles	335.5	5	5	Fats, oils and waxes	50.1	4
Total BC Imports from China		6,104.4	100	Total BC-Origin Exports to China		1,301.0	100
Chinese Imports as % of BC's Total:			18.6	Exports to China as % of BC's Total:			4.2

Notes:

1. Canadian import statistics are collected in terms of the province of clearance, not province of final destination.
2. Statistics do not include Hong Kong, SAR.

Source: Trade Data Online. Industry Canada. 31 August 2005. <http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html>.

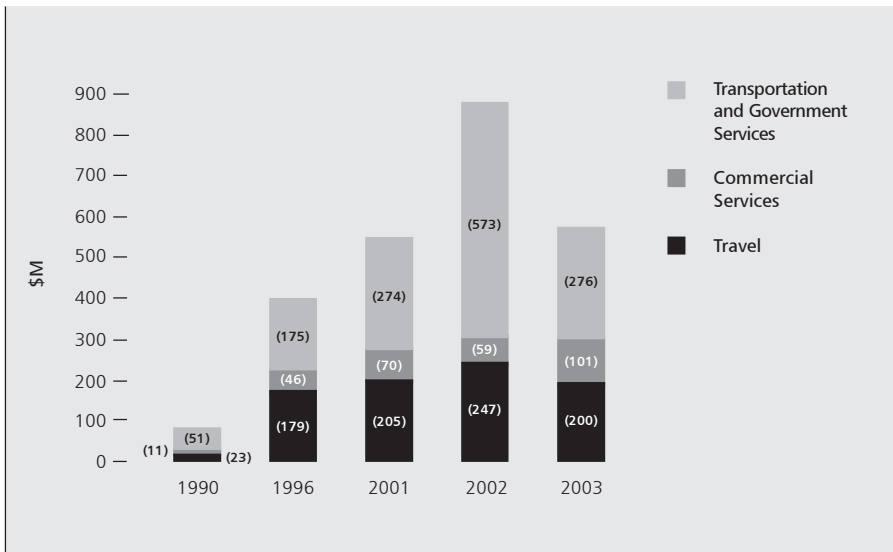
CHART 3 CANADA'S SERVICES EXPORTS TO CHINA



Source: Adapted from Statistics Canada, *Canada's International Trade in Services with Selected Countries*, CANSIM Database Table 376-0036. 21 June 2005.

<http://www.dfait-maeci.gc.ca/eet/pdf/intern_trade_in_services_2003-en.pdf>, <<http://cansim2.statcan.ca>>.

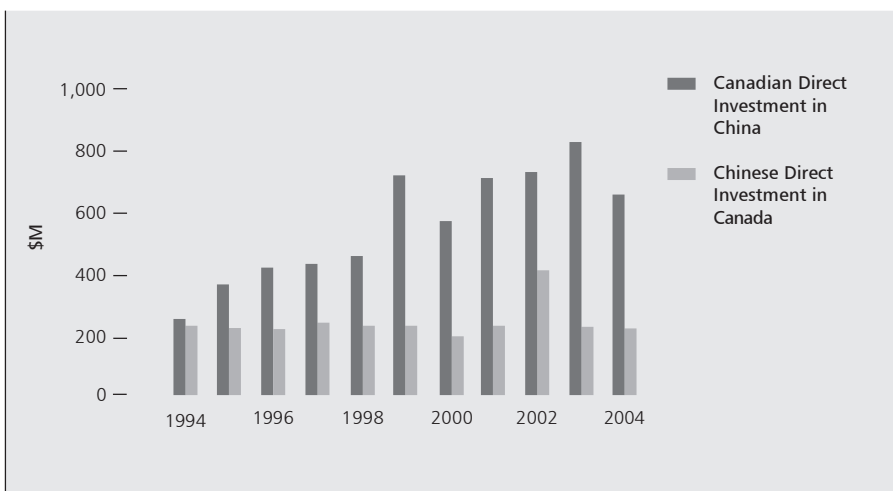
CHART 4 CANADA'S SERVICES IMPORTS FROM CHINA



Source: Adapted from Statistics Canada, *Canada's International Trade in Services with Selected Countries*, CANSIM Database Table 376-0036. 21 June 2005.

<http://www.dfait-maeci.gc.ca/eet/pdf/intern_trade_in_services_2003-en.pdf>, <<http://cansim2.statcan.ca>>.

CHART 5 CANADA'S INVESTMENT RELATIONS WITH CHINA



Source: Adapted from Statistics Canada, *Canada's International Investment Position, Year-end Stocks*. CANSIM Table 376-0051. 13 September 2005.

<<http://www.dfait-maeci.gc.ca/eet/pdf/CIIP04-en.pdf>>, <http://cansim2.statcan.ca/cgi-win/cnsmcgi.exe?CANSIMFile=CII/II_1_E.HTM&RootDir=CII/>.

service export to Canada. More detail on BC's trade in services with China can be found within the individual sector commentaries.

INVESTMENT

Provincial statistics of BC's FDI in China are not available. Canada-wide, investment in China has jumped from nothing 15 years ago to \$650 million last year, with 665 Canadian companies having a physical presence in China. Canada is among the top 10 foreign investors in China, but has only a small share of total FDI. Based on APF Canada's database of Canadian corporations with a physical presence in China, it is estimated that BC has 105 companies in China, or 16% of all Canadian firms. Most of these are concentrated in mining, manufacturing and high-tech, though ITC, energy and forestry companies also have a significant presence.

Chinese corporate commercial activity in British Columbia, particularly on the investment side, is in its infancy. While there were a few examples of Chinese investment as early as the late 1980s (CITIC purchased a 50% interest in the Celgar pulp mill in partnership with Consolidated Bathurst), it has really only been in the past two or three years that Chinese corporations have started to open offices, establish companies and acquire assets. BC municipalities have hosted several visits from Chinese investors looking for deals in resource industries. China Paper Group is in the late stages of completing a \$3.3 million purchase of the Watson Island pulp mill and land properties. It plans to invest over \$100 million in the mill, and use this investment to negotiate a five-year local tax-free agreement with Prince Rupert.

In looking at Chinese investment or commercial activity in BC it is important to distinguish between the various types of Chinese investors active in the market. These can be divided into the following categories:

- ▶ Corporate — major State-Owned Enterprises (SOE) or joint stock holding companies registered with the State Administration for Foreign Exchange operating overseas with state sanction.
- ▶ Private — successful entrepreneurs who have established operations or made investments outside China, usually through Hong Kong or offshore jurisdictions.
- ▶ Immigrant – business established in Canada by immigrants from China, often in order to meet immigration qualifications.

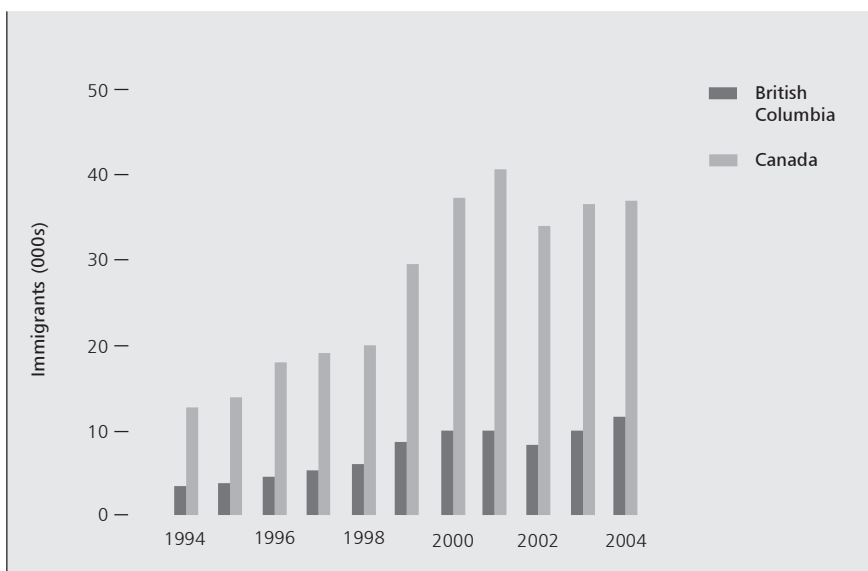
Besides corporate investment, the other categories are also important to the overall commercial relationship between BC and China. Within these categories there are

many and various types of business people. While some are small businessmen who have immigrated to Canada with their families and no longer maintain any business in China, many others still have operating business in China. Others may be current or former senior executives or directors of major Chinese businesses.

PEOPLE-TO-PEOPLE LINKS

BC's people-to-people relations with China are changing in line with the growing wealth, mobility and educational aspirations of Chinese citizens. BC's proximity to China has made it home to a large number of Chinese immigrants. The Greater Vancouver region has one of the highest populations of foreign-born Chinese (at 80% of the ethnic Chinese population) in North America; BC-wide, citizens claiming Chinese descent make up 15.3% of the population; the number of Chinese speakers is 375,815. Mainland China-born residents, however, make up just 5% of

CHART 6 CHINESE IMMIGRATION TO BC AND CANADA



Source: Citizenship and Immigration Canada, 2005.

Canada's Chinese ethnic population. That ratio is changing as Canada, and BC in particular, is currently experiencing a third wave of Chinese immigration. The previous two occurred during the late 1800s, when many Chinese immigrants arrived to work on railroad construction, and the second in the days before the transfer of sovereignty over Hong Kong to China.

Over the past decade, Chinese immigration levels have grown rapidly. China is now the top source country for immigrants for Canada and BC. Along with this inflow of new arrivals have come Chinese students, whose numbers grew from just a few hundred 25 years

ago to over 7,000 today. Numbers have fallen substantially in the past three years (in 2002, there were 11,488 students), yet as a group Chinese students are second among foreign students only to South Koreans. The majority of these students attend Canadian universities or other post-secondary education institutions, especially ESL schools.

Compared to Chinese immigrants and students, Chinese tourists are nowhere near the top of their category. However, with Beijing's recent granting of Approved Destination Status to Canada, this sector is expected to have exponential growth over the next decade.

Besides this growing flow of Chinese to Canada, a new aspect in Canada and China's people-to-people relations has been the emergence of a Canadian diaspora in China. A substantial number of Chinese (including Hong Kong) immigrants who have obtained Canadian citizenship are returning to China, in search of better economic opportunities. Many of them engage in businesses that trade between their old and new homelands. This Canadian diaspora in China will play a large role in how BC engages with China. Richmond's new Canada Hualian Supermarket is a significant example of how the diaspora can benefit BC (see sidebar).

CASE STUDY 1

CANADA HUALIAN, OR GRAND EAST SUPERMARKET

Beijing Hualian Group is the fourth-largest commercial retail chain in China, with annual sales of almost US\$2 billion. In February, its first Canadian supermarket opened in Richmond and is called in English the Grand East Supermarket. Its arrival into the Canadian market was the work of six Chinese businessmen with Canadian citizenship who reside in China. They received permission from the Hualian Group to let the store use its brand name and its merchandising software. This group's investment is considered to be the first from China in Canada's retail sector. The store is expected to create between 50-80 jobs, and 60-70% of its stock will be imported from China, The rest will be locally sourced. The company also has plans to open another store in Greater Vancouver, as well as stores in Toronto and Seattle.

3. SECTORAL OPPORTUNITIES FOR BC BUSINESS

FORESTRY, BUILDING AND ARCHITECTURE

BC companies are very active in the forestry and building products sector in China. Most of BC's primary forestry companies have representation in China through agents or their own sales organizations. Canfor and West Fraser are active in sales of dimension lumber and panel products. Canfor plans to ship 40 million board feet to China in 2005, and expects to double that figure in 2006. Ainsworth is developing the market for oriented strand board. Interfor has gone a step further by establishing a representative office and is working with local manufacturers to remanufacture Interfor's hemlock into value-added products for distribution in Japan. Trans-Pac Fibre Inc. intends to establish a processing plant for the same purpose. Weyerhaeuser has a large office in Shanghai, established by corporate headquarters in the US, to pursue sales of dimension lumber and other products from BC mills, re-export of manufactured products, as well as to look for real estate investment possibilities for the development of wood frame houses.

Some smaller specialty forestry companies such as Teal Jones (sales of cedar shakes and shingles) are also active in the market. Trimlite, a Surrey-based manufacturer and distributor of doors, has established a manufacturing plant in Beijing through its US subsidiary. It imports BC Douglas fir, which is used in the manufacture of engineered doors and components for re-export to North

America. BuildDirect Technologies, an online wholesaler of building products, exports cedar shakes to China and also ships materials from China to foreign markets.

Forestry Innovation Investment (FII), a part of the BC government's Ministry of Forests, together with the major BC forestry associations (Council of Forest Industries, Coast Forest Products Association, SPF Group, and the BC Wood Specialties Group) which operate as part of Canada Wood, are very active in China in promoting BC wood products, particularly those associated with wood frame construction. FII and Canada Wood hold seminars, assist developers and builders with technical information,

train municipal building officials and building inspectors, and have worked with the Chinese Ministry of Construction to establish building codes for wood frame construction. At a cost of \$12 million, borne equally by the BC government and the forest industry, FII has built and now operates the wood products demonstration centre in Shanghai known as Dream Home China. In June, Natural Resources Canada and Canada Mortgage and Housing Corp. (CMHC), along with several corporate partners, opened the first of four Super E wood frame houses — an energy efficient "healthy" home — in Shanghai. Three more Super E houses are planned to demonstrate wood frame construction.

CASE STUDY 2

SUNWAVE FOREST PRODUCTS LTD., SUBSIDIARY OF CHINA PAPER GROUP CORP.

BC's forest sector has grown increasingly attractive to Chinese companies that import large quantities of pulp and increasingly of lumber. So it was not a surprise that a Chinese company was one of four companies that were interested in purchasing the Skeena Pulp Mill on Watson Island and related assets. As China Paper Group, the parent company of BC-based SunWave Forest Products Ltd., was the only one whose offer included a commitment to re-start the pulp mill. Prince Rupert municipality chose to go with the Chinese state-owned company. The pulp mill was once a major employer for the town, but after its operator Skeena Cellulose Inc. filed for bankruptcy in 1997, it has passed through five different owners and was finally mothballed in 2001. China Paper Group offered \$3.3 million for all assets – mill equipment, Carnaby, Hazelton and Watson Island land, and Carnaby's forest licence – and intends to invest \$100 million in the mill. The company negotiated a complex deal with the municipality under the province's new Community Charter legislation: Prince Rupert offered a five-year tax break to the company, tied future taxes to pulp prices and the mill's production volumes; in return China Paper Group will donate to the municipality an unspecified amount of money through an Economic Development Partnership Agreement. The deal still needs to be approved by the BC government, which is expected to occur at the end of September.

The enormous market for commercial and residential construction has attracted several BC-based architects and engineers. Arthur Erickson Architectural Corporation, for instance, is now the urban design consultant for the city of Weihai, and has prepared several urban design plans elsewhere as well. BPA Group-Design Builder Inc. built a 120-unit townhouse development in Dalian; Pacific Rim Architecture is designing a high-end single family project outside Shanghai; and Bing Thom Architects has designed the master plan for Dalian and was short-listed to be a lead designer for the 2010 World Expo in Shanghai. Sandwell Engineering conducted a feasibility study for a Chinese company wanting to build a pulp mill that will use locally-sourced bamboo.

BC's forestry sector has held sporadic interest for Chinese investment interests. In the mid-1980's China International Trust and Investment Corporation (CITIC) purchased the Celgar pulp mill in Castlegar in partnership with Power Corporation. After a series of ownership changes and major capital investments, the mill filed for bankruptcy in the late 1990s. CITIC still maintains an interest in an Alberta sawmill (Sundance Forest Products) but has withdrawn from BC. Chinese interest in BC's pulp sector has recently re-surfaced. The China Paper Group Corporation has finalized an agreement with the receiver of the old Skeena Cellulose mill in Prince Rupert, and has purchased Watson Island, Hazleton and Carnaby properties, and the Carnaby licence for \$3.3 million. China Paper plans to invest over \$100 million to re-start the mill and export pulp to China.

MINERALS AND METALS

China's economic growth requires enormous amounts of ores and refined minerals such as copper and aluminum, as well as iron ore and coal to stoke the furnaces of China's steel industry. Some of these minerals and metals are supplied directly by BC producers. Fording Canadian Coal Trust's Elk Valley Coal mine, for instance, ships 8% of its metallurgical coal to China. Pine Valley and Cline Mining are each expanding their operations. Other BC-based companies with no direct China business are indirectly benefiting from China's appetite as world markets for many of these commodities are at record high prices and have even increased their investments in third countries to export to China.

In recent years China has also sought to find additional mineral resources at home. With huge known mineral reserves but an inadequately financed and inexperienced group of local mining companies, China has turned to foreign mining companies. Canadian companies with access to finance through the TSX and TSX Venture markets and world-class technical expertise have moved into China in a big way. Over 50 companies, most of them junior exploration companies, are exploring for precious and industrial metals in China. Geologists, engineers and other service companies follow in their footsteps. The action has also spilled over into neighboring Mongolia.

Chinese investment in BC's mining sector began in August with a small share purchase of a BC mining company's stock. Zijin Mining Group bought \$1.95 million in shares – a

21% stake – in Pinnacle Mines, which has said the money will finance drilling and exploration at its Silver Coin Mine near Stewart. While the deal is small, larger deals are likely on the way.

ENERGY AND ENVIRONMENT

BC involvement in China's energy and environment market began only recently but is expanding quickly. This expansion is occurring in clean energy and traditional energy sources, energy efficient technologies and waste and water systems. Greenwind Power Corporation, based in Vancouver, is working with a US and a Chinese firm to build a 50MW wind farm in Zhejiang province. Richway Environmental Technologies has four projects underway in China to convert industrial and solid waste into energy. Its first waste-energy plant began operating in Shenzhen in 1999 and supplies 6MW of electricity. It recently signed an agreement to supply four straw-to-energy plants in Xian. Westport Innovations, already active in China through its joint venture company Cummins Westport, which manufactures natural gas engine for Chinese bus fleets, is moving forward on additional projects. It recently signed preliminary agreements with Guangxi Yuchai Machinery Co and Beijing Tianhai Industry Co. Ltd. Palcan Power Systems Inc. runs a fuel cell manufacturing plant in Shanghai, and has sold fuel cells that are used in bicycles, scooters and wheelchairs. International Bio-Recovery Corporation, which specializes in organic waste management technology, has sold \$1 million of equipment to a Shanghai company.

Environmental engineers are also engaged in this sector. Golder Associates has 25 people working on projects in China. PSC Analytical Services analyses water and soil at its lab in BC, and Pottinger Gaherty Environmental consultants Ltd. has conducted environmental assessments on housing projects near Beijing. There is a great demand for more technical specialists, and several BC companies provide headhunting services to match Chinese companies with BC specialists.

Chinese companies have shown interest in Western Canada's oil and gas resources, and they have been encouraged by China's government to look at Canada for its energy

resources. No company has yet to make a major purchase or investment in BC. However, PetroChina International Co. Ltd. is purchasing a stake in Enbridge Inc.'s Alberta to West Coast oil pipeline, which will cross BC and may end either in Prince Rupert or in Kitimat.

TRANSPORTATION

The transportation sector is one of the key links between Greater China and BC. The rapid expansion of China's manufacturing capacity and the voracious appetite of North American consumers for reasonably priced goods has led to a large growth in container traffic from China to the west coast of North

America. Logistics companies such as IDC Distribution Services Ltd. have begun making upgrades to keep up with growing shipping volumes. CN Rail opened offices in Beijing and Shanghai in 2004 to capitalize on China's use of CN's rails through the ports of Vancouver and Prince Rupert. It is also upgrading tracks to increase its carrying capacity on its rail lines.

China's key corporate presence in BC is in the transportation sector. The Vancouver-based Canadian subsidiary of China Ocean Shipping, commonly known as COSCO, now one of the world's largest shipping companies, is the largest and most important of the local Chinese firms. The president of COSCO Canada, Liu Qimin, is head of the Association of China Based Enterprises in Vancouver, the organization representing the official Chinese corporate presence. China Shipping and Sinotrans, China's other major international shipping companies, also have Vancouver-based subsidiaries. These three organizations are major contributors to the BC economy through their use of the port. Recent bottlenecks that have slowed inbound container traffic from China forced COSCO to cut back on the frequency of sailings to Vancouver due to mounting costs associated with delays at the port.

China's shipping companies and their related port operation companies (e.g. COSCO Pacific in Hong Kong) may be potential investors in expanded terminal facilities at Prince Rupert and other BC ports.

TRAVEL AND TOURISM

For the past decade tourist numbers from China to BC have grown

CASE STUDY 3

CUMMINS WESTPORT INC.

This joint-venture company between Cummins Inc., a diesel engine manufacturer, and Vancouver-based Westport Innovations Inc., an alternative fuels engine company, has made substantial progress in getting a foothold in China's environmental market, which has already attracted over 400 foreign companies. The company sold more than 2,200 natural gas engines, worth US\$25 million, to the Beijing Public Transport Holdings for its fleet. After its success in Beijing, it began exploring opportunities in Western China and has made sales in Qinghai province. Last December, the company signed a joint venture with Beijing Sinogas, which runs more than 60 compressed and liquefied natural gas stations in China and the Qingdao Sino-Canada S&T Park Co., an R&D initiative between the National Research Council of Canada and China's Ministry of Science and Technology. The group will develop and market natural gas engines for the China market. Another deal was signed with Guangxi Yuchai Machining Co., which manufactures engines for buses and trucks, to develop and sell engines in China. The demand for Cummins Westport's success in China has far surpassed the company's initial market assessment. Because China does not yet have a mature gasoline infrastructure system, the company did not have to compete with as many entrenched interests as in its traditional markets in the US and Europe.

strongly, averaging 15% a year, from 20,000 in 1995 to 80,000 last year. China's granting of Approved Destination Status (ADS) to Canada in January holds the potential to dramatically increase that rate: Tourism BC expects Chinese tourists will number 250,000 by 2010, making China BC's largest overseas tourist market after the US. With ADS approval, Canadian companies and tourist agencies will for the first time be able to market in China. Tourism BC is planning to set up its promotional activities in China in conjunction with the newly re-established Canadian Tourism Commission office.

In anticipation of the greater flow of Chinese tourists to Canada, Air Canada has added a Toronto to Beijing route via Vancouver to its daily flights to China, and will offer flights between Vancouver and Guangzhou beginning in 2007. The carrier already has a daily flight between Vancouver and Beijing. BC's Harmony Airlines has also announced it will begin flights from Vancouver to China, but it has yet to announce when or which cities it will fly to, though it has received landing approval at 10 destinations.

One BC company has entered China's growing domestic tourist and recreational market. Intrawest Corporation recently signed an agreement to develop the Beidahu Ski Resort in Jilin province, which will host the 2007 Asian Winter Games.

China's major international air carriers, Air China and China Eastern serve Vancouver with frequent direct service between Beijing and Shanghai. Both companies serve the Chinese-outbound business and leisure markets and will be ideal partners for promoting tourism to BC.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

BC companies, among Canada's leaders in ICT technologies and design, have in the past decade made numerous forays into China's coastal market, and increasingly into the interior. These companies are involved in mobile and wireless communications, building automation systems, digital imagery and cable and computer software. Many have either established offices in China through subsidiaries or joint ventures, are buying shares in Chinese companies or are using joint ventures to have their technology used by a Chinese company. Vancouver-based Yangtze Telecom Corp. has established, through its wholly-owned Chinese subsidiary, Shanghai and Beijing branches. The company says its licences allows it to offer services to 7.5 million subscribers in Shanghai and 11 million subscribers in Beijing. Contec Innovations Inc., Delta Controls Inc., Unity Wireless Corp., Pivotal Corporation (bought by a subsidiary of Chinadotcom in 2003), Valdor Fiber Optics Inc. and Pacific Geoinfo Corp. are some of the other companies involved in this sector. Radical Entertainment, having watched the success of American gaming companies in China, has been researching opportunities to design and sell games for the Chinese market, the third-largest in the world after the U.S. and the EU. PMC Sierra, which makes about US\$50 million in direct and indirect sales annually in China, has begun selling its Net-PC, a computer solely configured for emailing and Internet browsing, in China for those who cannot afford a PC.

MANUFACTURING AND TECHNOLOGY

BC and Canadian companies have lagged behind American, Japanese and

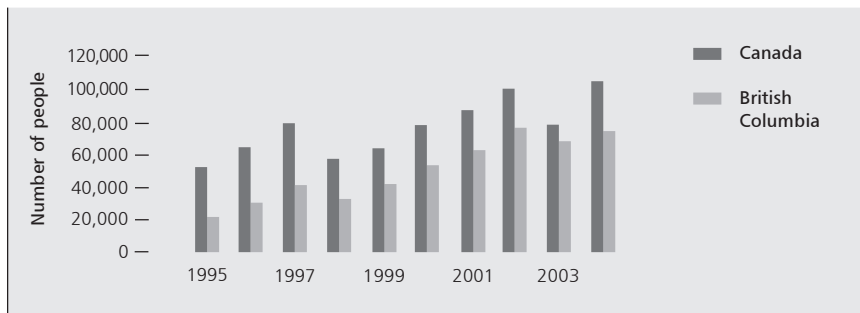
EU companies in outsourcing manufacturing to China. Within the past couple of years more companies have begun considering offshoring production stages in China, partly to retain markets in the US and also because US partners have shifted. A handful of BC companies have begun joint ventures to outsource labour-intensive work while retaining design capacity in their BC headquarters. As noted in other sections, wood, energy and biotechnology companies have established manufacturing plants in China. Other examples demonstrate the pattern: EnWave, based in Vancouver, is partnering with a Chinese company to manufacture fat-free chips, eventually to be re-exported to Canada and the US, using its vacuum microwave technology; during the 2005 Team Canada mission to China, 3L International Corporation Group signed a letter of agreement with Henshui High-Tech Industrial Development Zone in Hebei to develop a high-tech industrial park near Beijing.

There have been a number of small manufacturing businesses opened in BC by Hong Kong and Chinese immigrants. These include small garment factories, furniture factories, plastics shops, etc. Shanghai-based China WorldBest, which is responsible for the largest manufacturing investment in Canada to date (a textile factory in Drummondville, QC), has set up a representative office in Vancouver to identify other investment opportunities.

TRADING

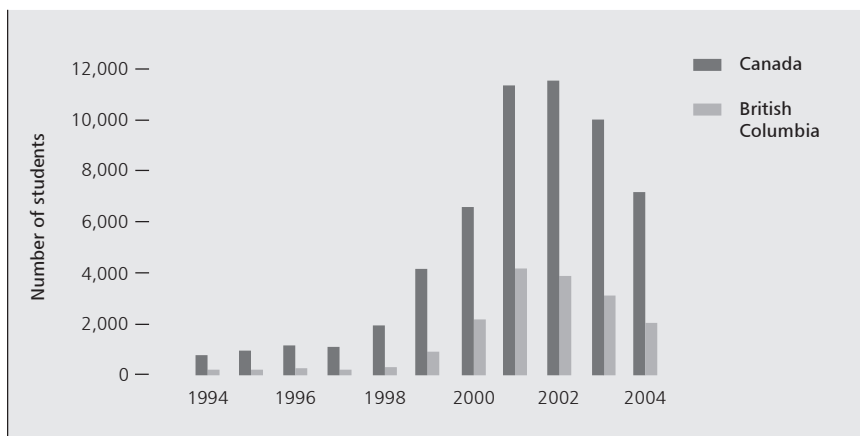
While China has large numbers of significant trading companies, none have followed the model of the Japanese trading company by setting up large overseas offices trading in a variety of commodities. Those few

CHART 7 CHINESE TOURISTS TO BC AND CANADA



Source: Adapted from Statistics Canada, CANSIM Table 427-0003. 7 June 2005.
<http://cansim2.statcan.ca/cgi-win/cnsmcgi.exe?CANSIMFile=CII/CII_1_E.HTM&RootDir=CII/>.

CHART 8 CHINESE STUDENTS IN BC AND CANADA



Source: Citizenship and Immigration Canada, 2005.

Chinese companies established in BC that act as import agents specialize in a limited range of products such as pulp and paper or cereal grains. General trading remains the realm of relatively small companies specializing in niche markets such as clothing, foodstuffs, toys, sporting goods, etc. There are many hundreds of such companies founded by both Chinese and Hong Kong immigrants. While many are economically significant to the principals, few employ a large number of workers.

EDUCATION

The education sector has become a major industry in BC and many of the institutions and companies involved

are active in the China market. Activities range from Executive MBA and dual degree programs offered in China by the major BC universities, to training courses in both China and Canada offered by BC Institute of Technology (BCIT) and various BC community colleges, to the recruitment of Chinese students by public and private high schools and language schools. Simon Fraser University, Newton College, BCIT, Capilano College and America Institute of Technology have all been involved in these kinds of tie-ups. A number of BC companies are also involved in the Chinese education market in textbook publishing and distribution, development and

hosting of English language test preparation software, and in running private schools in China. China Ventures Inc., now merged with China Education Resources Inc., has purchased majority stakes in two companies that supply educational books and multimedia products in the K-12 and high school markets. China Education Resources has also bought three textbook distributors with the intention of developing new educational products in China for the local market. Capital Alliance Group, through its Vancouver-based subsidiary CIBT School of Business & Technology Corp., has bought Beihai College and has established management and business schools, runs student loan programs and delivers education programs over broadband Internet.

The BC Ministry of Education has licensed schools in China to deliver BC curriculum and to award the Dogwood Diploma. Much of this activity is modeled on the previous experience of BC institutions in the education sector in Hong Kong where many business and government leaders received their education in Canadian universities. There are currently four licensed schools in China, and three more awaiting inspection for licensing.

BIOTECHNOLOGY

In the past decade BC companies have begun exploiting China as both a market for biotech products and as an export platform. Most commonly, a BC company has established a joint venture with a Chinese company to use it either as a distributor or servicer; in some cases, the partners have even established manufacturing R&D facilities. VSM MedTech began selling magnetoencephalography

(MEG) systems to Chinese hospitals, then partnered with a Chinese health care company to distribute and service its systems in China, and most recently signed an agreement to manufacture parts in Chongqing. Dragon Pharmaceutical Inc., a BC-based company which sold a majority of its stock to a Chinese pharmaceutical group, has R&D and production facilities in Nanjing.

A few BC companies have entered China's emerging agro-bio market. Penn Biotech, for instance, sent 1.5 million pounds of bioengineered seed potatoes to be processed in China using the company's technology. Spur Ventures Inc. is involved in producing phosphate fertilizers in China for the domestic market. It owns 72% of a joint venture with Yichang Phosphorous Chemicals Co., a state-owned company in Hubei province. A phosphoric acid plant has been built at a cost of \$6.85 million, and is being prepared for commissioning.

Chinese involvement in BC's biotechnology sector has been limited to companies merging with (sometimes) smaller BC companies, as mentioned above.

REAL ESTATE

Chinese investors are increasingly looking at BC for residential and commercial real estate opportunities. While Hong Kong has been active in this sector of BC's economy for some time, Chinese investment is just starting to appear. One of Beijing's largest real estate developers, Beijing Capital Group, purchased a downtown hotel in 2003. Its investment may be a harbinger of more to come in this sector. It is anticipated there will be an influx of

Chinese travelers now that Canada has received Approved Destination Status from the Chinese government. Various China-backed companies are said to be interested in the purchase of hotels, particularly in Richmond.

There have been a few China-funded real estate projects in Richmond and Vancouver, albeit much smaller and less high profile than those from Hong Kong. That is expected to change in time as more Chinese corporations and significant individuals find themselves in BC. Condominium and apartment purchases by mainland Chinese have already been noticed to be on the rise. Several condominium and townhouse projects in Greater Vancouver have been surprised by the amount of interest from China; over half the buyers of a UBC condo project were from the mainland, for instance, with many of the buyers intending to use the condos as residences, rather than for resale.

ENTERTAINMENT AND RETAIL

BC and Chinese trade relations in these sectors has been limited, but is expected to expand rapidly with the steady rise in consumer spending in major Chinese cities. A few companies have tried to capitalize on China's rising affluence and consumer demand for foreign consumer products and services. Investment has been exploratory, and led largely by small enterprises and

chains. Mondo Gelato opened its first branch in Beijing in 2001. It has since opened four others in the city and is looking to expand to other cities. Blenz Coffee opened its first store in China in 2003 and based on this success has opened several more since then. Vancouver-based Can-Chin Entertainment Group established a subsidiary in Beijing, the Beijing Can-Chin International Media Technology Co. Ltd., which hopes to raise approximately \$2 million to pursue opportunities in the entertainment industry. ActionView International, based in Vancouver, formed a joint venture with a Guangzhou billboard advertising firm. The Chinese company will use ActionView's backlit sign system.

China's entry into BC's retail market came this year when Canada Hualian opened the first store in Canada with substantial investment from China.

4. CHALLENGES AND PROSPECTS

FORESTRY, BUILDING AND ARCHITECTURE

Many in the forestry and building industry acknowledge that China's traditional reliance upon concrete is a barrier to market expansion. As well, Chinese legislation currently prohibits wood housing for large residences, and thus limits opportunities for villa projects, though both government and industry officials have lobbied for change. With over 10-12 million housing starts and a growing desire for sustainable products, however, the opportunities remain large and are not limited to wood-frame houses: interior paneling, furniture and cabinetry are all possible uses for BC wood. BC's lumber exports were just \$36 million in 2004; its exports to Japan were \$1 billion.

METALS AND MINERALS

As witnessed by the aborted bid for Noranda by China's Minmetals, China is looking worldwide for access to mineral resources. BC may want to promote this sector in China, both for investment in the BC mining sector and to make Chinese mining companies more aware of BC's financing and technical capabilities. Chinese companies with mineral exploration and mining operations in Chile and Peru may look to BC for expertise in mine development and expansion, as well as expertise in listing on the TSX. BC companies may also want to use Chinese companies as a source of finance and expertise.

MANUFACTURING AND TECHNOLOGY

There has yet to be any significant manufacturing sector investments in British Columbia from China or Hong Kong. As China remains the "world's factory" and has significant cost advantages in labour it is unlikely that there will be any for the foreseeable future. It is possible, however, that Chinese companies will follow the lead of VTech, one of Hong Kong's largest manufacturers of cordless telephones and children's electronic educational toys, which employs a significant number of R&D personnel in BC. Products developed in Canada are then manufactured in China.

BIOTECHNOLOGY

Business links between BC and Chinese companies are not yet numerous; however, the market in China for health care products is enormous despite being in its infancy. It is expected that the market for pharmaceutical products, already valued at \$33.5 billion, will triple within five years. Already Canada's second-largest exporter of North American ginseng, BC can also expand its exporting of traditional Chinese herbs and medicines to China. And now that Traditional Chinese Medicine (TCM) practitioners have been accredited by the province, there is an equal market to satisfy at home.

ANNEX 1: BC COMPANIES WITH OFFICES IN CHINA

(Note: Some companies appear under multiple headings)

COMPANY NAME	OFFICE	TYPE
ACCOUNTING		
▶ Grant Thornton LLP		Office
▶ PKF Consulting Inc.	Shanghai, Beijing, Tianjin	Office
AEROSPACE		
▶ Pacific GeoInfo Corp.	Qinhuangdao	Production
AGRICULTURE		
▶ Aslichem International Inc.	Beijing, Nanjing, Huangpu	Office, warehouse
▶ International Bio Recovery Corporation		Waste conversion plant
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ Spur Ventures Inc.	Yichang	Office
AGRI-FOOD		
▶ Chai-Na-Ta Corporation Richmond	Marketing, distribution	
AUTO		
▶ Westport Innovations Inc.	Beijing	Representatives
BIOTECHNOLOGY		
▶ Dragon Pharmaceuticals Inc.	Datong, Nanjing	Production, sales
▶ International Bio Recovery Corporation		Waste conversion plant
▶ Penn Biotech Inc.		Field operations
▶ Wex Pharmaceuticals Inc.	Nanning, Beijing	Manufacturing, distribution
BUSINESS CONSULTING		
▶ Borcom Associated Consultants Inc.		Office
▶ CanAchieve Consultants Ltd.		Office
▶ CWMM Consulting Engineers Ltd.	Nanjing	Design office
▶ ESSA Technologies Ltd.	Beijing	Office
▶ Golder Associates Ltd.	Shanghai	Office
▶ PKF Consulting Inc.	Beijing, Tianjin	Office
CONSTRUCTION		
▶ Bing Thom Architects Inc.	Dalian	Design office
▶ Clayburn Industries Ltd.	Shaanxi, Nanning	Manufacturing
▶ Forestry Innovation Investment Ltd.	Shanghai	Gallery office
▶ Kryton Canada Corporation	Shanghai	Manufacturing
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ RST Instruments Ltd.		Office
E-BUSINESS		
▶ Stockgroup Information Systems Inc.		Office
▶ VendTek Systems Inc.	Beijing	Sales office
EDUCATION		
▶ Access International Education Ltd.	Guiyang, Guangxi, Nanyang, Dongguan	Schools
▶ CanAchieve Consultants Ltd.		Office

ANNEX 1:

▶ Capital Alliance Group Inc.	Beijing, Shanghai, Jinan, Weihai, Zhengzhou	Office, campuses Schools
▶ China Education Resources Inc.		
ENERGY		
▶ DynaMotive Energy Systems Corporation		Partnership
▶ Greenwind Power Corporation	Daishan Island, Zhejiang province	Wind-power plant
▶ Ivanhoe Energy Inc.	Beijing; Dagang, Zitong	Office; operations
▶ Methanex Corporation	Shanghai	Office
▶ Palcan Power Systems Inc.	Jiaxing, Shanghai	Manufacturing
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ Sandwell International Inc.		Office
▶ Westport Innovations Inc.	Beijing	Office
▶ CWMM Consulting Engineers Ltd.	Nanjing	Office
▶ Golder Associates Ltd.	Shanghai	Office
▶ Sandwell International Inc.		Project
ENVIRONMENT		
▶ ESSA Technologies Ltd.	Beijing	Office
▶ Golder Associates Ltd.	Shanghai	Office
▶ International Bio Recovery Corporation		Waste conversion plant
▶ RST Instruments Ltd.		Office
▶ Richway Group	Beijing, Shenzhen, Guangdong.	Office
FINANCE		
▶ Paystone Technologies Corp.		Office
▶ Stockgroup Information Systems Inc.		Services
▶ VendTek Systems Inc.	Beijing	Sales office
FOOD & BEVERAGE		
▶ Blenz Coffee Ltd.	Beijing, Guangzhou, Shanghai	Franchise stores
▶ Mondo Gelato	Beijing	Office, stores
▶ White Spot Limited	Hong Kong	Restaurants
FORESTRY		
▶ Aslchem International Inc.	Beijing, Nanjing, Huangpu	Offices, warehouse
▶ Canfor Corporation	Shanghai	Sales office
▶ Forestry Innovation Investment Ltd.	Shanghai	Gallery office
▶ Nelson International Inc.	China	Office
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ Sandwell International Inc.		Project
HEALTHCARE		
▶ Dragon Pharmaceuticals Inc.	Datong, Nanjing	Production, sales
▶ Wex Pharmaceuticals Inc.	Nanning, Beijing	Manufacturing, distribution
HIGH-TECH		
▶ ActionView International Inc.	Guangzhou	
▶ Advanced Cultural Technologies Inc. (ACT)	Beijing	Office
▶ Cantronic Systems Inc.	Shanghai	Office

ANNEX 1:

▶ Capital Alliance Group Inc.	Beijing, Shanghai, Jinan, Weihai, Zhengzhou	Office, campuses
▶ DynaMotive Energy Systems Corporation		Partnership
▶ Nicer Canada Corporation	Shanghai	Office
▶ Pacific GeoInfo Corp.	Qinhuangdao	Manufacturing
▶ Penn Biotech Inc.		Field operations
▶ Techniscope Industries Inc.	Beijing	Office
▶ Tranzcom China Security Networks Inc.	Beijing	Subsidiaries
▶ Unity Wireless Corporation	Shenzhen	Office
▶ Valdor Fiber Optics Inc.	Shanghai	Office
▶ VendTek Systems Inc.	Beijing	Sales office
▶ Voice Mobility International		Office
▶ XMG, Inc.	Beijing	Office
INDUSTRIAL PRODUCTS		
▶ Argus Technologies Ltd.	Shanghai	Office
▶ AsIchem International Inc.	Beijing, Nanjing, Huangpu	Offices, manufacturing
▶ Chemposite Inc.	Guangdong	Office
▶ Clayburn Industries Ltd.	Shaanxi, Nanning	Manufacturing
▶ Drucker Inc.	Beijing	Manufacturing, R&D
▶ DynaMotive Energy Systems Corporation		Partnership
▶ Greenwind Power Corporation	Daishan Island, Zhejiang province	Wind-power plant
▶ International Parkside Products Inc.	Panyu	Marketing office
▶ Kryton Canada Corporation	Shanghai	Manufacturing
▶ Palcan Power Systems Inc.	Jiaxing	Manufacturing
▶ Patton & Cooke Co.		Office
▶ Rimex Supply Ltd.	Beijing	Office
INFORMATION TECHNOLOGY		
▶ Advanced Cultural Technologies Inc. (ACT)	Beijing	Office
▶ Capital Alliance Group Inc.	Beijing, Shanghai, Jinan,	Office, campuses
▶ China Education Resources Inc.		Schools
▶ Nicer Canada Corporation	Shanghai	Office
▶ Stockgroup Information Systems Inc.		Office
▶ Techniscope Industries Inc.	Beijing	Office
▶ XMG, Inc.	Beijing	Office
INTERNET		
▶ Advanced Cultural Technologies Inc. (ACT)	Beijing	Office
▶ China Mobility Solutions Inc.	Beijing, Shanghai, Shenzhen	Offices
▶ Paystone Technologies Corp.		Office
LEGAL SERVICES		
▶ Fasken Martineau LLP	Beijing, Shanghai	Offices
MANUFACTURING		
▶ Argus Technologies Ltd.	Shanghai	Office
▶ Canfor Corporation	Shanghai	Sales office
▶ Cantronic Systems Inc.	Shanghai	Office
▶ Chemposite Inc.	Guangdong	Office

ANNEX 1:

▶ Drucker Inc.	Beijing	Manufacturing, R&D
▶ Nelson International Inc.	China	Office
▶ Patton & Cooke Co.		Office
▶ Rimex Supply Ltd.	Beijing	Office
▶ RST Instruments Ltd.		Office
MEDIA		
▶ ActionView International Inc.	Guangzhou	
MINING		
▶ Big Bar Gold Corporation	Uighur Autonomous Region	Mining operations
▶ Bright Star Ventures Ltd.	Shandong province	Mining operations
▶ China NetTV Holdings Inc.	Tibet	Mining operations
▶ Crosshair Exploration & Mining Corp.	Liaoning province	Mining operations
▶ Crystal Graphite Corporation	Shanxi province	Mining operations
▶ Dajin Resources Corp.	Gansu province	Mining operations
▶ Dynasty Gold Corp.	Gansu province	Mining operations
▶ Goldrea Resources Corp.	Shandong province	Mining operations
▶ International Barytex Resources Ltd.	Yunnan province	Mining operations
▶ Jinshan Gold Mines Inc.	Xinjiang, Yunnan, Shandong, Liaoning, and Guizhou provinces; Inner Mongolia	Mining operations
▶ Linux Gold Corporation	Hebei province	Mining operations
▶ Majestic Gold Corp.	Xinjiang, Shandong provinces	Mining operations
▶ Maxy Gold Corporation	Yunnan province	Mining operations
▶ Minco Mining & Metals Corporation	Hebei, Sichuan, Xinjian, and Gansu provinces; Inner Mongolia	Mining operations
▶ Mundoro Mining Inc.	Liaoning province	Mining operations
▶ New Cantech Ventures Inc.	Yunnan province	Mining operations
▶ Orsa Ventures Corporation	Yunnan province	Mining operations
▶ Ramston Corp.	Daguan, Guizhou province	Mining operations
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ Silvercorp Metals Inc.	Yunnan province	Mining operations
▶ Southwestern Resources Corp.	Yunnan and Sichuan provinces	Mining operations
▶ Spur Ventures Inc.	Yichang, Xinyuan	Mining operations
▶ Sterling Group Ventures Inc.	Henan and Hunan provinces	Mining operations
▶ Tearlach Resources Limited	Henan province	Mining operations
▶ Teck Cominco Limited		Mining operations
▶ Terra Nostra Resources Ltd.	Shandong province	Mining operations
▶ ValGold Resources Ltd.	Qinghai province	Mining operations
OIL & GAS		
▶ Ivanhoe Energy Inc.	Beijing; Dagang, Zitong	Office; operations
▶ Methanex Corporation	Shanghai	Office
▶ Ritchie Bros. Auctioneers	Beijing	Office
▶ Sandwell International Inc.		Office
PUBLISHING		
▶ China Education Resources Inc.		Schools

ANNEX 1:

REAL ESTATE

- ▶ *Colliers International Inc.* Office

TELECOMMUNICATIONS

- ▶ *Nicer Canada Corporation* Shanghai Office
- ▶ *Unity Wireless Corporation* Shenzhen Office
- ▶ *Valdor Fiber Optics Inc.* Shanghai Office
- ▶ *VendTek Systems Inc.* Beijing Sales office
- ▶ *Voice Mobility International* Office
- ▶ *Yangtze Telecom Corp.* Beijing Office

TRADE – WHOLESALE

- ▶ *Aslichem International Inc.* Beijing, Nanjing, Huangpu Office, warehouse

TRANSPORTATION

- ▶ *Penn Biotech Inc.* Field operations
- ▶ *Ritchie Bros. Auctioneers* Beijing Office
- ▶ *Sandwell International Inc.* Office
- ▶ *Vancouver Port Authority* Beijing Office

ANNEX 2: CHINA-INVESTED COMPANIES IN BC, BY SECTOR

COMPANY

BC CITY

CHINESE OWNER

AGRIFOOD

- ▶ *Dah Chong Hong (Canada) Ltd.* Richmond Dah Chong Hong Ltd.
- ▶ *Finora Inc.* Surrey Noble Group Ltd.
- ▶ *Yan Hai (Canada) Enterprises Ltd.* Burnaby Hebei Shenglun Import & Export Corp.

AIRLINE

- ▶ *Air China* Vancouver Air China Limited
- ▶ *Cathay Pacific (Canada) Airways Ltd.* Vancouver Cathay Pacific Airways Ltd.
- ▶ *China Eastern Airlines Co., Ltd* Vancouver China Eastern Airlines Corporation Ltd

BIOTECHNOLOGY

- ▶ *China WorldBest Group Co., Ltd.,* Vancouver China WorldBest Group Corp.

CONSTRUCTION

- ▶ *China State Construction International Co. Ltd.* Vancouver China State Construction Engineering Corporation (CSCEC)
- ▶ *Jiang Quan Enterprises Ltd.* Richmond Jiang Quan Enterprises Ltd

CONSUMER PRODUCTS

- ▶ *Prima Electronics Inc.* Richmond Xiamen Overseas Chinese Electronic Co. Ltd.
- ▶ *Top-Glory Enterprises (Canada) Ltd.* Vancouver China National Cereals, Oils & Foodstuffs Import & Export Corp.
- ▶ *Yan Hai (Canada) Enterprises Ltd.* Burnaby Hebei Shenglun Import & Export (Group) Corp.

ANNEX 2:

FINANCE

- | | | |
|------------------------------|---------------------|------------------------|
| ▶ Bank of China (Canada) | Vancouver | Bank of China |
| ▶ Bank of East Asia (Canada) | Vancouver, Richmond | Bank of East Asia Ltd. |

FORESTRY

- | | | |
|--------------------------------|-----------|--|
| ▶ Tricell Forest Products Ltd. | Vancouver | China National Light Industrial Products Import & Export Corp. |
|--------------------------------|-----------|--|

HEALTHCARE

- | | | |
|---------------------------------------|----------|--------------------------------|
| ▶ Beijing Tong Ren Tang (Canada) Ltd. | Richmond | Beijing Tong Ren Tang Co. Ltd. |
|---------------------------------------|----------|--------------------------------|

HIGH-TECH

- | | | |
|-------------------------------------|----------|-----------------------|
| ▶ Holley Communications Canada Inc. | Richmond | Holley Communications |
|-------------------------------------|----------|-----------------------|

HOTEL

- | | | |
|----------------------------------|-----------|---|
| ▶ Rosedale on Robson Suite Hotel | Vancouver | Chevalier Development International Limited |
|----------------------------------|-----------|---|

INDUSTRIAL PRODUCTS

- | | | |
|---------------------------------------|-----------|---|
| ▶ SHMG Equipment (Canada) Corp. | Burnaby | Shenyang Heavy Machinery Group Co. Ltd |
| ▶ Top-Glory Enterprises (Canada) Ltd. | Vancouver | China National Cereals, Oils & Foodstuffs Import & Export Corp. |
| ▶ Yan Hai (Canada) Enterprises Ltd. | Burnaby | Hebei Shenglun Import & Export (Group) Corp. |

MANUFACTURING

- | | | |
|--------------------------|----------|---|
| ▶ Prima Electronics Inc. | Richmond | Xiamen Overseas Chinese Electronic Co. Ltd. |
|--------------------------|----------|---|

PUBLISHING

- | | | |
|----------------------------------|-----------|--------------------------------|
| ▶ Ming Pao Newspapers Ltd. | Richmond | Ming Pao Newspapers Ltd. |
| ▶ Sing Tao News Corporation Ltd. | Vancouver | Sing Tao News Corporation Ltd. |

TELECOMMUNICATIONS

- | | | |
|--|----------|------------------------|
| ▶ Holley Communications Canada Inc. | Richmond | Holley Communications |
| ▶ VTech Telecommunications Canada Ltd. | Richmond | VTech Holdings Limited |

TEXTILES

- | | | |
|-------------------------------------|---------|--|
| ▶ Yan Hai (Canada) Enterprises Ltd. | Burnaby | Hebei Shenglun Import & Export (Group) Corp. |
|-------------------------------------|---------|--|

TOURISM

- | | | |
|--------------------------------------|-----------|---------------------------------------|
| ▶ China Travel Service (Canada) Inc. | Vancouver | China Travel Service (Hong Kong) Ltd. |
|--------------------------------------|-----------|---------------------------------------|

TRADE - WHOLESALE

- | | | |
|---|-----------|---|
| ▶ China WorldBest Group Co., Ltd., | Vancouver | China WorldBest Group Corp. |
| ▶ Dah Chong Hong (Canada) Ltd. | Richmond | Dah Chong Hong Ltd. |
| ▶ Qinghua International Trade Development Corp. | Vancouver | Qinghua International Trade Development Corp. |

TRANSPORTATION

- | | | |
|--|-----------|--|
| ▶ China Shipping (Canada) Agency Co., Ltd. | Vancouver | China Shipping Group |
| ▶ Cosco Canada Inc. | Vancouver | COSCO GROUP |
| ▶ OOCL (Canada) Inc. | Vancouver | Orient Overseas Container Line Ltd. |
| ▶ Sinotrans Canada Inc. | Vancouver | Sinotrans Beijing Packing & Transportation Company |

ANNEX 3: BUSINESS-FOCUSED CANADA-CHINA ASSOCIATIONS IN BC

Canada China Business Council

Suite 2600, 515 West Hastings Street
SFU at Harbour Centre
Vancouver, B.C. V6B 5K3
Phone: 604-291-5190
Fax: 604-291-5039

The Canada China Business Council (CCBC) is a private-sector, non-profit membership organization incorporated in 1978 to facilitate and promote trade and investment between Canada and the People's Republic of China. With eight chapters and offices in six Chinese cities (Beijing, Shanghai, Shenyang, Chengdu, Qingdao, Shenzhen), CCBC is one of Canada's most active bilateral trade organizations. CCBC has approximately 250 members across Canada and maintains a database of 400 companies or individuals active in Canada - China trade.

The British Columbia Chapter, located in Vancouver, is one of the most active branches. Professor Earl Drake, a former Canadian Ambassador to China, is Chairman. The BC office is run by Ms. Alison Winters. Both are very knowledgeable about China and BC's China-related business activity.

The CCBC's mandate includes the following:

- ▶ to stimulate and support trade in goods and services, investment and technology transfer;
- ▶ to achieve greater economic growth and a closer relationship between Canada and China;
- ▶ to provide practical and focused assistance to business; and
- ▶ to be the voice of the Canadian business community on matters of Canada-China relations.

A number of CCBC's directors are resident locally in Vancouver and are active members of Canada's China business community. They will be more than willing and able to contribute to any BC initiative in China. CCBC's office network may also be able to support some BC activities.

Association of China-Based Enterprise

Tel: 604-689-8989
Fax: 604-689-8366
Liu Qimin, President

Member companies are all major Chinese corporations, most state owned, all having official approval from State Administration of Foreign Exchange (SAFE) to set up overseas subsidiaries. The prime purpose is sharing information and internal coordination on doing business in Canada. They also use the association as a way to meet local companies and to seek local business opportunities. There are currently 21 members including: China Ocean Shipping (COSCO), China Shipping, SinoTrans, Air China, China Eastern Airlines, China WorldBest, TriCell, Prima Electronics, Tong Ren Tang, Bank of China, Qingdao Beer, China National Cereals, Oils and Foodstuffs (COFCO) and China Travel Service.

There are currently only occasional meetings or functions. In the future the association might want to interact with some local associations.

Although only recently established, the ACBE should be viewed as an extremely important organization to assist in the development of BC-China trade and investment relations. Many of the members and their executives represent major Chinese companies headquartered in Beijing or Shanghai. They have access to key head office decision-makers and can act as a conduit for BC initiatives. Additionally, they will be a first line of public relations (positive or negative) for BC for any visiting Chinese corporations considering a Vancouver/BC location.

Chinese Federation of Commerce of Canada

Tel: 604-273-1655
Fax: 604-273-8403
Email: wlcheuk@hotmail.com
Website: www.CFCCanada.org
William Cheuk, President

This association is an outgrowth of the Sunbrite Business Association founded by mainly Hong Kong immigrants in 1989. It has evolved into a association focused on development of trade and investment relations with China and Asia Pacific. A strong and active board of directors with good mainstream business connections makes it one of the more effective ethnic business associations. The current president is well connected to the federal and provincial governments, sits on a number of boards (Canada Wheat Board, BC Vegetable Marketing Commission), and is well thought of by the Chinese Consulate General.

- ▶ Membership is primarily business immigrants from Greater China (65% from HK, 25% from China, 10% from Taiwan).
- ▶ Directors' meetings are usually held in Cantonese, general functions and meetings are held in English.
- ▶ There are approximately 300 members.
- ▶ Activities include lunch events focused on China trade, hosting Chinese delegations, fundraising events for local charities, trade missions for members to China.
- ▶ The association encourages and assists members to establish businesses or investment programs in Canada and promotes their business development and assimilation into Canadian society.
- ▶ It has a secretariat with offices in Richmond.

The Chinese Federation reports good connections with various areas in China (Liaoning, Tianjin, Shenzhen) developed through hosting incoming delegations and appointment of "International Directors" (prominent local businesspeople). These relationships and activities have yielded good business results for members.

ANNEX 3:

Chinese Entrepreneurs Society of Canada

Tel: 604-681-6802

Fax: 604-681-6307

Email: cesc@telus.net

Website: www.cescan.org

Tong Yuet, President

Adrian Loh, Vice President

Originally set up to apply for and then to host the 4th World Chinese Entrepreneurs Conference held in Vancouver in 1997.

- ▶ 300-400 members, mostly business owners, trade, investment, primarily SMEs.
- ▶ Members originate from China, Hong Kong, Southeast Asia, and local born Chinese.
- ▶ Board meetings held in English and Mandarin (Cantonese was once used but has been dropped).
- ▶ Primary function now is hosting delegations from China in order to develop trade and investment opportunities.
- ▶ Also organizes trade missions. Recently took the mayors of four interior cities to China.
- ▶ Has friendship and cooperation agreements with many Chambers of Commerce in China (e.g. – Shanghai, Beijing, Nanjing)

An event was held May 16 to welcome their Korean counterparts to Vancouver to promote the 8th World Chinese Entrepreneurs Convention to be held in Seoul later this year.

The Chinese Entrepreneurs Society of Canada is recognized by the Chinese Consulate as a useful conduit to stimulate business with China. It is often asked to host incoming delegations.

Canada-China Business Association

Tel: 604-231-3744

Fax: 604-821-2968

E-mail: ccba@slcc-canada.com

Website: www.ccba.bc.ca

George Lian, President

- ▶ Established in 1997, it has approximately 600 members, all from China.
- ▶ All members are businesspeople in either/both Canada and China, many SMEs, some large companies (including representatives of companies listed in China).
- ▶ Has a secretariat with offices in Richmond and Vancouver.
- ▶ Meetings conducted in Mandarin and English
- ▶ No direct representation in China, but does have members in various places who can provide assistance.
- ▶ No direct affiliation with any Chinese associations, but cooperative agreements with some, including the Beijing Chamber of Commerce.
- ▶ Six sub-committees (IT, trading, medical/pharmaceutical, education, investment, alumni).
- ▶ Regular activities include seminars for members to learn more about doing business in Canada or China.
- ▶ Organizes an annual trade mission to China for member companies, mission has a business or project focus.
- ▶ A key activity is hosting Chinese trade delegations.

Canadian Chinese Business Development Association

Tel: 604-279-1812

Fax: 604-279-2313

Email: tonyyee@shaw.ca

Website: www.ccbda.ca

Tony Yee, President

- ▶ Established in 1984.
- ▶ Members are local business people with origins in Hong Kong and China.
- ▶ Primarily Cantonese speakers, although many recent new members speak Mandarin.
- ▶ Promotes business and cultural understanding.
- ▶ Holds occasional seminars or information meetings.
- ▶ Has no direct China programs, but has

promoted China trade fairs or missions to its members on behalf of organizers.

- ▶ Holds an annual Chinese New Year banquet.

Comox CanadAsia Business Society

Tel: 604-723-7013

Fax: 604-272-2397

Email: ComoxCanadAsia@yahoo.ca

Ian Cheng, President

The society was originally established through a friendship between Ian Cheng and the Comox Valley Economic Development Office. It has now transformed into a business organization to promote China trade opportunities using the connections and experience of the local Chinese Canadian immigrant community. Ian Cheng likens the organization to a precursor to the "Gateway to Asia" program run by SUCCESS.

- ▶ 200 members registered, approximately 50 active.
- ▶ 50% Hong Kong background, 30% China, 10% SEA and Taiwan, 10% Caucasian.
- ▶ Focus on international trade, primarily China, but also US and Southeast Asia.
- ▶ Holds factory open houses, trade shows and hosts inbound delegations.
- ▶ Has close relationships with Environment Canada, Canada Wood Council, Forestry Innovation Investment, and Forintek, among others.
- ▶ Has a very practical approach to link business to traders and opportunities. Some identifiable success stories.

Richmond Asia Pacific Business Association

Tel: 604-276-2754

Fax: 604-276-2754

Email: info@rapba.bc.ca

Website: www.rapba.bc.ca

Thomas Wu, President

- ▶ Approximately 120 members, mostly Richmond-based service providers (banks, insurance, real estate brokers, etc).

ANNEX 3:

- ▶ 12-year-old organization. Meetings conducted in English and Cantonese, some Mandarin.
- ▶ Members come from a range of backgrounds in Hong Kong, China, Taiwan and elsewhere.
- ▶ It has a business/social focus. Holds occasional networking dinners.
- ▶ Planning to increase focus on China-business opportunities.
- ▶ Considering opening an office or affiliating with an organization in Hong Kong or China to help foster business connections.
- ▶ Some individual members are active in China (food and seafood, large Beijing-based developer, etc).

SUCCESS - Gateway to Asia

Tel: 604-639-5577

Fax: 604-732-9818

Email: albert.yu@success.bc.ca

Website: www.gatewaytoasia.ca

Albert Yu, Project Director

Gateway to Asia is a federally funded (Western Economic Development) project operated by SUCCESS to tap into the expertise and connections of Chinese immigrants to foster export opportunities for BC companies.

Gateway not only serves its registered members, but is an open organization with a mandate to serve the community at large.

Gateway has the manpower and infrastructure to fulfil its mandate.

- ▶ 870 registered members with ability/interest in trading, categorized by sectoral interest.
- ▶ 90% are Mandarin speakers, majority have been in BC less than five years.
- ▶ Many have extensive business experience and connections in China (at least one director of a Shanghai-listed public company).
- ▶ Begun in 2002 and now into second 24 month funding cycle.
- ▶ Has held over 50 seminars focused on specific sectors or specific BC companies and products.
- ▶ Has reported \$60 million in new sales

(to March 2004) with estimates up to \$180 million.

- ▶ Has held trade shows to link BC companies to members (often co-sponsored by Canadian Manufacturers and Exporters, etc).
- ▶ Organized four exploratory trips to China with BC SMEs as participants.
- ▶ Has organized regional trade and investment tours for members to visit Prince George, Quesnel, Okanagan, etc. (co-organized with local economic development offices).
- ▶ Cooperates with other associations such as the Chinese Federation of Commerce of Canada.

OTHER ETHNIC BUSINESS ASSOCIATIONS IN BC WITH CHINA AFFILIATIONS

Association of Chinese Canadian Professionals (BC)

Solomon Wong, President

Canada China Economy and Technology Centre

Jeff Zheng, President

Tel: 604-688-8002

Canada China Building Industry Society

Leanna Li

Tel: 604-782-6544

Canada-China Business Promotion Association

Joseph Hui, President

Tel: 604 821 0803

Canada-China Society of Science and Technology

Jian Ming Lu, President

Tel: 604-222-7528

Canada China Economy & Technology Centre

Dr. Youyou Zheng

Canada China Foundation for the Promotion of Trade & Cultural Development

Daniel Lee

danielslee@telus.net

Canada China Trade Development Association

C. M. Cheong

Canada China Science, Education and Culture Foundation

Dr. Sunny Bai

Canadian Chinese Herbal Professional & Merchants Association

Sunny Lee, Coordinator

Tel: 604-682-1268

Chinese Enterprises Society of Canada

Howard X. Song, President

Tel: 604-269-9392

Chinese Federation of Commerce of Canada

Joseph Hui, President

Tel: 604-273-1655

Global Economic & Cultural Exchange Association

Fred Lee

Tel: 604-880-2666

North American Association of Asian Professionals - Vancouver

Bernard Seo, President

Tel: 604-515-5771

Sino Canada Business & Trade Association

Dr. Sunny Bai

Sino CanAm Education and Technology Society

Ian Cheng, President

Tel: 604-723-7013

Vancouver Chinatown Business Improvement Area Society

Alice Ng,

Promotions and Administration Manager

Tel: 604-632-3808

Vancouver-Tianjin Business Association

Fred Lee

Tel: 604-880-2666