



HC International CHINA

Spring 2010 Mid-Quarter Newsletter

"Strength...Innovation... Value"



Happy New Year China. That's the second time I have said that in 2 months, where two celebrations per year is a part of normal life. It is just fascinating how much happens each month and January feels like it was 12 months ago. We have already seen a major pullback and another rally in US-listed Chinese stocks since the ball dropped in Times Square on December 31st.

The Gross Domestic Product (GDP) in China expanded at an annual rate of 10.7 % during the fourth quarter and represented 7% of the world economy, according to the World Bank. During the month of January Chinese banks lent nearly \$206 Billion, down about 14% year over year. Rising CPI and PPI indicated inflation is gaining momentum and when coupled with M1 money supply growth of 39% and rising food costs the government was compelled to act.



China, where growth is literally bursting at the seams.

China faces a delicate balancing act of maintaining growth and employment levels, keeping inflation in check, while weaning the country from stimulus. No small feat indeed and something the US wishes it were facing. China quickly changed monetary policy as it began tightening through increased reserve requirements, higher interest rates and lower loan quotas. This set the impetus for a fairly aggressive sell-off, which has left the Shanghai market down approximately 6.4% YTD, while the US market is up approximately 2.3%, creating a large variance between the two as we witness some regression to the mean. During the past few weeks, volume and stock prices have surged for many of the China-based, US-listed companies, suggesting there is still plenty of upside.

For those bears, like Jim Chanos who has stated that China is like "Dubai times 1,000—or worse," I suggest getting on the plane, traveling around China and see what's happening for yourself. Three members of our team visited 14 cities and met with 15 clients, in addition to numerous other companies during a recent trip. The feedback from our team and multiple fund managers can be summed up like this: "Business across the board looks great, everyone is upbeat, and please remind me why I am spending any time in the US, the action is in China."

Many plead their case that China is spending billions on infrastructure where there is no defined ROI, real estate is in full bubble territory, inflation is certain, interest rates and easy credit will precipitate massive bad loans, an undervalued currency and the list goes on. In our opinion, China is investing big time for the future, something it has been doing for many years, which gained critical mass and momentum during the past few years. Getting people, goods, and data to and from multiple locations affordably and quickly is what made America great and is what will make China great. Demand for electricity in China was up 40% in January vs. the year ago period. This is something we watch carefully and believe is one of the best barometers for overall economic activity. As we have said and want to reiterate, we believe the chart of China's economy and stock market will be up to the right during the next 10 years. There will be plenty of volatility, pullbacks and consolidation but it's a country to which you want to have exposure.

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From a bigger picture I wanted to share a recent conversation with John Micklitch, PM at Ancora Greater China Fund in Cleveland. If you are able to find even a couple of companies which grow up to be national players you will have made a lot of money. “Investing in China is not without risk but it has two dynamic characteristics going for it that are hard to find presently anywhere else in the world. The first is the growth and wealth boom created by the shift from an agricultural to a manufacturing based economy and the massive boom in SME’s. The second is that as this transformation occurs, there are opportunities to invest in regional companies which have access to capital and have the opportunity to consolidate market share and become national players. This is a formula that successful investors have followed in the past and is one that created companies like Tyson Foods, Starbucks and Walmart. The challenge in China is finding the companies with the products and most importantly, management teams capable of ascending to that level. Frankly, the search is the fun part but working with reputable investor relations firms specializing in Chinese companies can be a big help to find viable prospects.”

China’s National People’s Congress (NPC) is in session and President Hu, one of only four leaders in the PRC, is now eyeing his last two years in office and the legacy he will leave behind, which included re-centralizing economic control and a focus on expanding the GDP and competitiveness within the rural interior. There is much left to accomplish and the succession could be very interesting indeed as the country has to make decisions on the fly which will shape its future in an ever evolving fashion. A new generation of Chinese politicians is conducting Western-style publicity campaigns that suggest they could bring a more populist style of governance. In another interesting announcement, China central bank Governor Zhou Xiaochuan said China would eventually move away from its current exchange rate policies but he gave no timetable.

During the past six months we have doubled the size of our firm and added a number of new clients. We are more excited about the future of China than ever before, and for those of you we did not see in Beijing for the recent Rodman event we look forward to seeing you in Orange County for the annual Roth Conference and rocking it with Billy Idol.

In addition to our existing client base we will feature the following new clients in this edition: China Hydroelectric (NYSE:CHC), a producer of hydroelectricity in China which recently raised \$96 million in an IPO; American Lorain (NYSE Amex:ALN), a diversified consumer foods company; China TMK Battery (OTC:DFEL), a producer of rechargeable batteries for consumer products; China Liandi (OTC:RMSI), focused on introducing a cleantech product to petrol refineries; China Redstone Group (OTC:APBS), an owner and operator of one of the largest cemeteries in Chongqin, (death care is among the third most profitable businesses in China); Nutrastar (OTC:NUIN), which has a patented process to produce “Golden Grass” utilized as a key API by large pharmaceutical companies; VLOV (OTC:VLOV), a specialty branded clothing company with nearly 800 points of sale addressing the 15-35 age group; China Green Materials (OTC:CAGM), which makes starch-based, completely biodegradable consumer products for commercial and home use; and China Energy Corp. (OTC:CHGY), which produces coal and electricity in Inner Mongolia and recently brought significant production capacity online.

As always we welcome your feedback and support.

Regards,

- Matthew Hayden*
- Feng Peng*
- Ted Haberfield*
- John Mattio*
- Scott Powell*
- Mark Flather*
- Jennifer Heady*
- Scott Rieger*
- Ling Zhang*



*Winner Medical -
One of its five retail
stores in Shenzhen.*

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RINO International (Nasdaq:RINO)

Installs and services proprietary, patented CleanTech wastewater treatment, flue gas desulphurization, and de-oxidation equipment for the Iron & Steel Industry.

Price (As of 3/09/10): \$22.54

Shares Outstanding (Basic and F/D): 28.7 Million

Market Cap: \$644 Million

- Signed a \$118M FGD BOT with Shougang Jingtang Iron & Steel which includes a \$33.8M build contract and an \$84.3 million operating contract both for a duration of 10-years.
- The company was awarded \$18.4 Million Contract for its DWM Sludge Treatment System as it enters a new market.
- Raised \$100 Million through a registered direct at \$30.75 per share for working capital.
- First nine months of 2009 net contract sales increased 41.7% to \$139.6 million YOY; net income increased 94.5% to \$39.4 million; EPS was \$1.57 vs. \$0.81.


ChinaCast Education Corporation (Nasdaq:CAST)

A leading for-profit, post secondary and e-learning services provider in China

Price (As of 3/09/10): \$7.94

Shares Outstanding (Basic and F/D): 44.3 Million

Market Cap: \$358 Million

- Nine months 2009 revenues increased 14% to \$34.7 million and adjusted net income increased 27% to \$12.6 million, with adjusted diluted EPS of \$0.35. Adj. EBITDA increased 57% to \$19.4 million.
- Completed the acquisition of the remaining 20% interest in the Foreign Trade and Business College of Chongqing Normal University for \$19.9 million during Q3. The founders of FTBC purchases stock in CAST at \$7.65, a 20% premium.
- Completed the acquisition of Lijiang College of Guangxi Normal University for \$53.7 million subsequent to Q3.
- The Company to establish nationwide Distance Learning Joint Venture With the China University of Petroleum, opening up a significant new growth opportunity.
- Executive Management recently bought 700k shares of CAST common stock at \$7.22 and the Company upgraded to the Nasdaq Global Select market.


Tongxin International (Nasdaq:TXIC)

Manufacturer of engineered commercial vehicle body structures (EVBS or truck cabs) for the Chinese vehicle market.

Price (As of 3/9/10): \$8.56

Shares Outstanding (Basic and F/D): 12.3 Million

Market Cap: \$105 Million

- Q3 2009 revenues increased 18.8% to \$27.1 million and non-GAAP net income increased 83.4% to \$3.8 million, with non-GAAP EPS of \$0.29.
- Nine-months 2009 revenues increased 19.9% to \$91.5 million, non-GAAP net income increased 51.9% to \$12.3 million, with \$1.08 in non-GAAP earnings per share.
- TXIC recently secured its second 'On-Site' manufacturing contract with a commercial vehicle manufacturer.
- Recently announced the introduction of two newly-designed medium and heavy-duty truck cabs for the commercial vehicle market in China. Newly designed models signals growing sales segment for Tongxin and will contribute \$4 to \$6 million to revenues in 2010.
- Management provided preliminary 2009 revenue guidance of \$121 -\$125 million and net income guidance of \$16.7 million and 2010 revenue guidance of \$150-\$160 million, a 25% increase over 2009.



China Integrated Energy, Inc. (Nasdaq:CBEH)

A leading integrated Bio-diesel producer, wholesale distributor of finished oil and heavy oil products, and operator of retail gas stations in China.

Price (As of 3/09/10): \$8.60

Basic Shares Outstanding: 32.5 Million

Full Diluted Shares Outstanding: 43.1 Million

Market Cap: \$280 Million

- Q4 2009 Revenues increased 58% to \$93.3 million, net income was up 77% to \$12.0 million with EPS of \$0.30 vs. \$0.17.
- 2009 Revenues increased 34% to \$290 million, net income increased 33% to \$38 million with EPS of \$1.04 vs. \$0.84.
- 2010 GUIDANCE—Revenues expected to increase 32.8% to \$382 million and net income to be up 26% to \$48 million.
- In November, commenced construction of a new 50k-ton biodiesel production facility adjacent to its existing biodiesel production facility in Tongchuan City, Shaanxi Province, and is expected to start production by third quarter 2010.
- Recently acquired five gas stations located near the city of Xi'an, bringing the total number of operating gas stations to twelve in Shaanxi province and will add approximately \$34.1 million in revenues for FY2010. Expects to add three more retail stations during 2010.



China Green Agriculture (NYSE:CGA)

A leading producer and distributor of humic acid ("HA") based liquid compound fertilizer

Price (As of 3/09/10): \$15.85

Shares Outstanding (Basic and F/D): 24.2 Million

Market Cap: \$384 Million

- Q2 2010 financial results exceeded both revenue and net income guidance for the second quarter of fiscal year 2010.
- Fiscal year Q2 2010 net sales totaled \$11.2 million, up 60% from \$7 million in the same quarter of fiscal year 2009.
- Net income for the second quarter was \$4.7 million, or \$0.20 per basic and fully diluted share, up 78% compared with net income of \$2.7 million or \$0.14 per basic and fully diluted share during the same period in fiscal year 2009.
- Company reports an increase in EPS of 43% year-over-year despite an increase in weighted shares outstanding of 27%.
- CGA continues to have market leading margins, which increased due to the value-added tax exemption the company received during the first quarter of fiscal 2010, along with the increasing sales of its new high-end fertilizer products.



Tianyin Pharmaceutical (AMEX:TPI)

Manufacturer, marketer and supplier of modernized Traditional Chinese Medicine (TCM) and generic drugs.

Price (As of 3/09/10): \$3.81

Basic Shares Outstanding: 25.4 Million

Full Diluted Shares Outstanding: 38.3 Million

Market Cap: \$97 Million

- Q2 2010 Revenue increased 48% to approximately \$14.9 million while adjusted net income increased 62% to \$3.4 million with adjusted diluted EPS of \$0.11.
- Cash and Equivalents of \$19.9 Million on December 31, 2009.
- First-half 2010 Cash Flow from Operations Increased 24.5% to \$4.9 million.
- Tianyin secured SFDA approvals for four new products during the second quarter addressing multiple indications, bringing total number of products in the portfolio to 48.
- Company expects to benefit from recently published guide to pricing reform for Medicine and Medical Services which is expected to lead to enhanced pricing for proprietary products.



China Marine Food Group (NYSE Amex:CMFO)

Food processor and distributor of seafood-based snack foods and fresh and frozen marine catch across China

Price (As of 3/9/10): \$6.94

Shares Outstanding (Basic and F/D): 27.6 Million

Market Cap: \$192 Million

- Q3 revenues increased by 16.5% to \$13.4 million; Gross margins increased 110 basis points to 32.0%; Q3 Net income increased by 24.5% to \$3.2 million with EPS of \$0.14.
- Nine months 2009 revenues increased 26.5% to \$44.7 million and net income increased 18.4% YOY to \$10.2 million. EPS was \$0.44 vs. \$0.37.
- Company completes second phase of capacity expansion to 20,000 tons per annum, a 100% increase YOY.
- Completed acquisition of Xianghe, a Fujian-based manufacturer of the branded "Hi-Power" algae-based soft drinks, for \$27.8 million.
- Recently raised 2010 guidance to \$100 million in revenues and \$21.5 million net income.
- Completed financing for \$30 million financing in January, 2010.



ChinaNet Online Holdings (NYSE Amex:CNET)

A leading full-service media development, advertising and communications company for small and medium-sized enterprises (SMEs) in China

Price (As of 3/09/10): \$4.20

Basic Shares Outstanding: 19.9 Million

Full Diluted Shares Outstanding: 24.0 Million

Market Cap: \$84 Million

- Achieved AMEX listing.
- First nine months 2009 revenues increased 105.1% to \$27.3 million and adjusted net income increased 120.1 % to \$4.5 million with adjusted earnings per share of \$0.31.
- Cash flow from operations was \$4.7 million for the first nine months of 2009.
- Recently announced three new additions to its Board of Directors.



Telestone Technologies (Nasdaq: TSTC)

A provider of wireless communication coverage solutions and proprietary products for China's Major Wireless Carriers

Price (As of 3/9/10): \$19.10

Shares Outstanding (Basic and F/D): 10.4 Million

Market Cap: \$198 Million

- Q3 2009 revenues increased 124.7% to \$18.9 million ; gross margins were 52.7%; net income increased 281.8 % to \$4.2 million with net margins of 22.3%; EPS was \$0.41.
- The proprietary WFDS™ product represented 20% of sales during the third quarter.
- For the nine months ended September 30, 2009, revenues increased 86.1% to \$38.9 million and net income increased 96.8% to \$7.4 million with EPS of \$0.71.
- Company reaffirms guidance of \$70.0 million in revenues for 2009 based on strong order bookings for balance of the year.
- In February, Telestone presented at the Thomas Weisel Partners Telecom and Technology Conference.

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Sino Clean Energy, Inc. (OTCBB:SCLX)

A producer and distributor of coal-water mixture ("CWM") in China.

Price (As of 3/09/10): \$0.82

Basic Shares Outstanding: 102.1 Million

Full Diluted Shares Outstanding: 198.4 Million

Market Cap: \$84 Million

- Q3 2009 Revenues increased 214.6% to \$10.8 million, adjusted net income increased 132.8% to \$2.8 million with Adjusted EPS of \$0.03
- First Nine Months 2009 Revenues Increase 191.2% to \$26.7 million, adjusted net income increased 149.5% to \$6.3 million with Adjusted EPS of \$0.07
- Cash flow from operations was \$5.1 million for the first nine months of 2009
- Company Provided 2009 and 2010 Guidance: 2009 Revenues of at least \$40 million and Net Income of at least \$10 million; 2010 Revenues of at least \$70 million and Net Income of at least \$15 million



Biostar Pharmaceuticals (OTCBB:BSPM)

Manufacturer, marketer and supplier of modernized Traditional Chinese Medicine and leading Hepatitis-B medicine, Xin-Aoxing.

Price (As of 3/11/10): \$3.90

Basic Shares Outstanding: 27.3 Million

Fully Diluted Shares Outstanding: 27.8 Million

Market Cap: \$108Million

- Q3 2009 revenue increased 106.3% to \$15.6 million; Q3 Gross Margins of 77.0%; Q3 2009 net income increased 459.2% to \$3.1 million with EPS of \$0.13.
- YTD revenue increased 52.5 % to \$36.2 million; net income increased 112.9% to \$8.8 million with EPS of \$0.37.
- Company has expanded its rural supply network to 5,010 sales outlets as of December 11, 2009.
- Launching its flagship Xin Aoxing Oleanolic Acid ("Xin Aoxing") Capsules for the treatment of Hepatitis B in Beijing and Shanghai in early January 2010.
- Preannounced revenues of \$52 to \$54 million and operating income of \$15-\$16 million., a 100—113% increase over 2009.
- Provided 2010 Guidance: Revenues of \$69—\$71 million with net income of \$16.2—\$17 million.



SkyPeople Fruit Juice, Inc. (NYSE Amex:SPU)

A processor and manufacturer of concentrated kiwifruit, apple, pear and other fruit juices and fruit products in China

Price (As of 3/11/10): \$6.55

Basic Shares Outstanding: 18.0 Million

Full Diluted Shares Outstanding: 21.5 Million

Market Cap: \$118Million

- Q3 2009 revenue increased 67.1% to \$10.6 million; Q3 Gross Margins of 36.3%; Q3 2009 net income increased 76.8% to \$2.9 million with EPS of \$0.11.
- For the first nine-months of 2009, revenues increased 4.6% to \$23.5 million while net income increased 28.2% to \$5.0 million with EPS of \$0.25 versus \$0.21 for the same period, 2008.
- Appointed BDO Limited as the Company's independent auditor effective December 11th, 2009.
- In January 2010, the Company signed on a new Beijing distributor of the Company's Hedetang-branded fruit juices.
- 2009 preliminary revenue of \$58 to \$60 million and net income of \$15 to \$16 million. 2010 Guidance: Revenues of \$92 to \$102 million and net income of \$19 to \$21 million.
- Roth initiated coverage with a Buy Rating.

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Winner Medical (NYSE Amex: WWIN)

Manufacturer and leading domestic and international supplier of cotton based medical dressings and PurCotton products.

Price (As of 3/09/10): \$6.99

Fully Diluted Shares Outstanding: 22.4 Million

Market Cap: \$157 Million

- Q1 FY10 WWIN reported revenues of \$29.8 million, a 15.8% increase YOY.
- Net revenues generated from traditional products in the first quarter of 2010 increased approximately 9.5% to \$27.3 million from \$24.9 million in the first quarter of 2009, primarily driven by increased sales to North and South American customers and Chinese customers.
- PurCotton(R) products sales in the first quarter of 2010 increased approximately 200% to \$2.5 million. The strong revenue was also driven by sales of face masks and protective products as a result of H1N1 both in the Chinese and global markets.
- Q1 FY10 net income increased by 165.8% to \$3.9 million Diluted earnings per share were \$0.17 in the first quarter, versus \$0.07 per share in the comparable quarter last year. This increase was primarily driven by high demand of PurCotton(R) products and rapid sales of traditional medical products to Chinese customers and North and South American customers.



China Taisan Technology (SGX: F2X)

A leading producer of high quality knitted fabrics used for sports and leisure apparel in PRC.

Price (As of 3/09/10): \$0.195 (Singapore \$) (\$0.14 USD)

Fully Diluted Shares Outstanding: 927.9 Million

Market Cap: \$130 Million

- China Taisan achieved net profit of \$9.1 million in the fourth quarter of 2009 alone, compared to \$6.5 million for the first nine months of 2009, as existing customers started to restock their inventories in anticipation of stronger domestic demand in 2010.
- Gross profit margin rose 170 basis points to 26.4% in Q409 from 9.4% in Q309.
- Company maintained a strong financial position with a net cash position of \$55.1 million at December 31, 2009 and generated positive cash flow from operations of \$31.9 million compared to \$30.1 million for 2008.
- China Taisan's order book averaged around \$29.4 million during September 2009 to January 2010. At this level, the Company expects its production utilization rate to stay above 80% during the first quarter of 2010.
- The company launched five new products during 2009 and will continue their focus on R+D throughout 2010 and beyond.



American Lorain Corporation (NYSE Amex: ALN)

Snack and convenient food manufacturer and processor for the Chinese and global marketplaces.

Price (As of 3/9/10): \$3.69

Shares Outstanding (Basic and F/D): 30.2 Million

Market Cap: \$111 Million

- Nine month 2009 revenues increased 10.7% to \$83.8 million, driven by strong demand growth of the Company's ready to eat food segment.
- Company pre-announced 2009 calendar year revenues of \$146.0 to \$148.0 million and \$14.4 million to \$14.8 million in net income.
- Based on anticipated growth in the ready-to-eat food segments and continued organic demand for chestnut snack foods in China and internationally, American Lorain provided 2010 guidance: revenues expected to be \$182.0 to \$190.0 M in with \$17.8 to \$19.0 M in net income.
- In January of 2010, American Lorain launched a new line of cold dish convenient foods with a 30-day shelf life.
- In February 2010, the Company announced reaching 3,500 retail locations and stated a goal of 5,000 retail locations by December 31, 2010.

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CHINA HYDROELECTRIC
CORPORATION

China Hydroelectric Corporation (NYSE: CHC)

A fast growing consolidator, developer, and operator of hydropower plants in China, led by an international management team.

Price (As of 3/09/10): \$10.40

Fully Diluted Shares Outstanding: 50.9 Million

Market Cap: \$529 Million

China Hydroelectric Corporation ("China Hydroelectric" or the "Company") is a consolidator, developer and operator of small hydroelectric power projects in the People's Republic of China. Led by an international management team with significant industry expertise, the Company's primary business is to identify and evaluate acquisition and development opportunities and acquire, and in some cases construct, small hydroelectric power plants in China.

China produces approximately 22% of its total energy from hydroelectric energy. The Company currently owns twelve operating hydropower projects in China with total installed capacity of 377 MW. These projects are located in four provinces: Zhejiang, Fujian, Yunnan and Sichuan. In addition, the Company recently expanded operations through the acquisition, pending government approval, of a 1,000 MW pumped storage hydropower plant in Henan. The Company presented on March 8th at the Rodman & Renshaw Annual China Investment Conference.



SinoHub Inc. (NYSE Amex: SIHI)

A world class electronic component supply chain management services company.

Price (As of 3/09/10): \$3.35

Fully Diluted Shares Outstanding: 25.1 Million

Market Cap: \$84 Million

SinoHub, Inc. has built a successful business in China based around its proprietary supply chain management (SCM) SaaS software platform that services the electronics market. SaaS is free to customers, makes their entire electronic component supply chain transparent and substantially decreases production cycles and inventory levels for manufacturers. The company leverages the information gained through its SCM platform to facilitate its electronic component purchasing (ECP) business unit, which comprises the majority of its revenues. As a conduit for future growth, SinoHub is leveraging its knowledge and industry relationships to make mobile phones for distributors in emerging markets outside of China through its recently launched virtual contract manufacturing (VCM) business. The company was founded by entrepreneur Harry Cochran and electronics veteran Lei Xia to capitalize on the significant growth in the electronics industry in China.

For the first 9 months of 2009, revenues increased 61.5% to \$85.6 million, net income increased 58% to \$8.8 million with EPS of \$0.34 vs. \$0.28.



Nutratar International Inc. (OTCBB: NUIN)

Leading nutraceutical company which products high quality, engineered "Chinese Golden Grass."

Price (As of 3/11/10): \$3.75

Fully Diluted Shares Outstanding: 14.3 Million

Market Cap: \$54 Million

Nutratar International, Inc. is a leading nutraceutical company focused on producing and distributing "Cordyceps Militaris", organic and specialty food products in China. The Company's primary product is dry engineered Chinese Golden Grass, which is considered one of the most highly regarded herbal nutrients in the Chinese culture. Nutratar's products are sold throughout China via a distribution network that covers more than 10 provinces. The Company is headquartered in Harbin, capital of Heilongjiang province, with 302 employees, 21 in R&D, and 132 in sales and marketing. For the first nine months of 2009, the company generated \$11.5 million in revenue, \$5.7M in net income and \$0.44 in EPS.

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VLOV
CROSS OVER

VLOV Inc. (OTCBB: VLOV)

A leading lifestyle brand in the PRC, known for its stylish, chic casual wear.

Price (As of 3/11/10): \$6.00

Fully Diluted Shares Outstanding: 15.7 Million

Market Cap: \$94 Million

VLOV, Inc. designs, sources and markets fashion-forward apparel for middle class men ages 15-34 in China. VLOV is a leading lifestyle brand in the PRC, known for its stylish, chic casual wear. The Company employs a focused sales strategy, utilizing exclusive distribution agreements to reach more than 730 points of sale across 12 provinces. Design Chief Fengfei Zeng – renowned in the PRC – drives the creative process, while approximately 80% of manufacturing is outsourced. Additionally, the Company has a talented in-house marketing and advertising team that controls brand positioning. This unique operating model drives solid operating margins and cash flow. For the nine months ended September 30, 2009, the Company reported revenues of \$45.8 million, an increase of 14.5%, while net income rose 27% to \$8.8 million. The Company's growth plans include broadening its retail network through additional distributor agreements; expanding its depth of product offerings and increasing SKUs; extending price points to reach a broader consumer base; increasing advertising to build greater brand awareness; and rolling out distribution to more densely populated, higher income Tier I cities in 2011.

CGMT



China Green Materials Technologies Inc. (OTCBB: CAGM)

A leading Chinese high-tech producer of environmentally friendly protective packaging material.

Price (As of 3/11/10): \$2.60

Fully Diluted Shares Outstanding: 18.7 Million

Market Cap: \$49 Million

China Green Material Technologies, Inc. engages in the R&D, production and sale of starch-based, biodegradable consumer products and packaging, including containers, tableware and packaging materials. CAGM's "CAFY" and "Home" brands are sold in 11 provinces and 23 cities across China, as well as South Korea and Japan. In February 2010, the Company made its strategic entry into the key European market, where consumers are among the most environmentally conscious worldwide. In fact, the Company is poised to benefit from the explosive global growth in demand for bioplastics. This is being fueled by the powerful combination of increasing government regulation and a growing consumer focus on sustainability. Growth plans include additional product categories such as agricultural film, trash bags and medical supplies, further penetration of existing markets and entry into new geographic regions. CAGM is based in Harbin – the corn production base of China – providing the Company with cost-effective access to raw materials. Additionally, the Company's advanced technological processes and two industrial method patents drive superior product performance. As a result of growing demand for its products, the Company recently acquired a new manufacturing facility that will expand production capacity by approximately 160%.



China LianDi Clean Technology Engineering Ltd. (OTCBB: RMSI)

An industry innovator providing equipment and engineering services to China's petroleum and petrochemical giants.

Price (As of 3/11/10): \$5.00

Fully Diluted Shares Outstanding: 28.5 Million

Market Cap: \$143 Million

China LianDi Clean Technology Engineering Ltd. serves the largest Chinese petroleum and petrochemical companies with equipment distribution, systems integration, software development, providing technical services and design consultation, and will distribute and ultimately assemble unheading units for the delayed coking process. To date, China LianDi has completed more than 200 projects in approximately 24 provinces, cities in China and is planning to launch a new delayed coking cleantech solution for Refineries throughout China. FY2010 (March 31) Guidance: Revenues of \$70M and net income of \$15M, up 124% and 113% YOY. FY2011 Guidance: Revenues of \$117M and net income of \$24.6M.

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China TMK Battery Systems (OTCBB: DFEL)

A professional Chinese manufacturer specializing in researching, developing, manufacturing and marketing of small-sized batteries.

Price (As of 3/09/10): \$2.27

Diluted Shares Outstanding: 32.6 Million

Market Cap: \$74 Million

Based in Shenzhen, PRC and founded in 1999, TMK manufactures and distributes high rate discharge Nickel Metal Hydride ("Ni-MH") multi-cell batteries in its manufacturing facility and addresses a \$2B market in China alone. TMK maintains a diverse roster of large, consumer-focused clients with major production facilities in China. The Company works with its clients throughout the product design cycle to develop and integrate reliable and long-lasting rechargeable power solutions for widely used consumer products, which include home appliances, cordless power tools, medical devices, multiple personal communication devices and electric bicycles segments. The Company is also focused on becoming a supplier of back-up power solutions to the telecommunications industry and for traffic lighting applications. On February 25, 2010 TMK completed a \$6.9M raise and a go public merger, which included a 2010 Make Good of \$9M in recurring operating income.



China Energy Corporation (OTCBB:CHGY.OB)

An energy company engaged in the production and processing of raw coal in the PRC.

Price (As of 3/11/10): \$2.16

Diluted Shares Outstanding: 45 Million

Market Cap: \$97 Million

China Energy Corp., through its subsidiary Inner Mongolia Tehong Coal Group Co., Ltd., engages in the production and processing of raw coal for domestic heating, electrical generation, and coking purposes for steel production in the PRC. In August, 2009 China Energy opened a new mine which gives it 800,000 metric tons of annual production capacity. The company, through its other subsidiary Inner Mongolia Zhunger Heat Power Company, Ltd., also supplies electricity through a government controlled intermediary, as well as heating directly to residents, private dwellings, factories, and municipal facilities. Q4 revenues were up 300% to \$21.8 million while net income was up 56% to \$6.6 million.



China Redstone Group Inc. (OTCBB:APBS)

The largest death care provider in Chongqing, the largest and most populous of China's four provincial level municipalities.

Price (As of 3/11/10): \$4.50

Diluted Shares Outstanding: 12.6 Million

Market Cap: \$57 Million

China Redstone is a cemetery developer and provider of cemetery products and services in Chongqing, China. Founded in 2002, through its subsidiaries, the Company provides a complete range of funeral merchandise and services, including cemetery property, both at the time of need and on a preneed basis. Our cemeteries are highly regarded in the market class in terms of a number of factors such as tradition, reputation, physical size, capacity of business, available supply, name recognition, aesthetics and potential for development or expansion., which is a major factor in the company's growth and profitability. The cemetery business was quoted as the #3 most profitable business in China. The Company expects net income of \$12.1 million for FY10 (which ends March 31st) and \$15.9 million for FY11. With a supply and demand imbalance, significant capacity to develop at their existing cemetery, the company is ideally positioned to capitalize on this growth opportunity.

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THE HC CHINA INDEX

<u>Client:</u>	<u>Date Hayden Representation Started:</u>	<u>Stock Price Then</u>	<u>Stock Price March 12, 2010</u>	<u>% Change Since Representation</u>
ALN	1/05/2010	\$2.80	\$3.92	40.0%
VLOV	2/10/2010	\$3.75	\$6.00	60.0%
CMFO	2/20/2008	\$3.21	\$7.20	124.3%
TPI	1/28/2008	\$1.70	\$4.20	147.1%
RINO	10/01/2007	\$4.48	\$27.65	517.2%
CAST	1/19/2009	\$2.46	\$7.56	207.3%
TXIC	8/01/2008	\$7.90	\$9.00	13.9%
CBEH	2/5/2009	\$3.60	\$7.04	95.6%
CGA	3/24/2009	\$3.35	\$14.72	339.4%
BSPM	6/01/2009	\$2.50	\$4.45	78%
CNET	7/16/2009	\$2.50	\$5.40	116%
TSTC	9/09/2009	\$4.78	\$19.84	315.1%
SCLX	9/23/2009	\$0.41	\$0.51	24.4%
CHC	1/28/2010	\$12.90	\$10.35	19.8%
F2X.SI	11/01/2009	\$0.19	\$0.195	2.6%
WWIN	10/28/2009	\$4.86	\$7.38	51.9%
SPU	12/09/2009	\$3.17	\$4.10	29.3%
CHGY	3/02/2010	\$1.40	\$2.19	56.4%
CAGM	2/08/2010	\$2.29	\$3.00	30.0%
DFEL	2/20/2010	\$1.25	\$2.05	64.0%
APBS	3/05/2010	\$3.50	\$4.80	37.1%
RMSI	2/27/2010	\$3.50	\$4.75	35.7%
SIHI	2/01/2010	\$3.18	\$3.19	.3%
Previous Clients		(Performance Measured During Contractual Period Only)		
GSI*	10/08/2007	\$12.75	\$4.00	(68.6%)
CABL*	09/01/2007	\$5.70	\$2.35	(58.7%)
CDS*	01/01/2006	\$2.50	\$7.50	200.0%
CSOL*	07/23/2007	\$2.07	\$1.95	(5.8%)
GFRE*	03/26/2007	\$1.02	\$1.85	81.4%
CHLN*	01/01/2007	\$2.40	\$4.05	68.8%
HSYT*	03/01/2007	\$3.99	\$3.60	(9.7%)
CHME*	11/01/2006	\$2.50	\$4.00	60.0%
NOEC*	10/01/2006	\$2.00	\$5.02	151.0%
CXTI*	05/01/2006	\$2.01	\$1.05	(47.8%)
CFSG*	02/01/2007	\$4.00	\$6.95	73.8%
CHBT*	05/01/2006	\$6.25	\$8.70	39.2%
FSIN*	05/01/2006	\$4.65	\$8.20	76.3%
CSR*	03/15/2006	\$4.00	\$14.25	256.3%
AOB*	09/30/2005	\$4.55	\$10.54	131.6%
COGO*	05/05/2005	\$5.41	\$16.24	200.2%
IDWK*	03/01/2004	\$4.42	\$6.55	48.0%
CBAK*	03/01/2005	\$3.50	\$8.76	150.3%
CIWT*	08/20/2008	\$4.00	\$1.68	(58.0%)
SOPW*	01/01/2006	\$1.00	\$1.25	25.0%
D3W.SI*	08/10/2009	\$0.32	\$0.62	93.8%

All Clients in the below table have a stock price on date services ended, which shows stock performance while HCI was engaged.

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