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NEW CANADIAN BUSINESS INITIATIVES IN CHINA

Background¹ on Signing Ceremony in Beijing

November 8, 1994

Advanced Material Resources Ltd., Toronto, Ontario

Advanced Material Resources (AMR) has entered into a joint venture with the Mianning County Mining Company to produce industrial minerals, known as rare earth minerals, in Sichuan Province. AMR will own an 80 per cent interest in this joint venture. The joint venture will construct a rare earth processing plant with an annual capacity of 2,500 tonnes of rare earth products. As feedstock, it will purchase rare earth concentrate produced in Mianning County. The total cost of the project is expected to be \$8 million. AMR will have the exclusive right to buy all the joint venture's production for resale abroad.

Agra Industries Ltd, Mississauga, Ontario

AGRA Industries has signed an agreement with the Three Gorges Development Corporation to provide a project and information management system. AGRA will provide project management and technology transfer for the overall systems engineering, system layout, equipment installation, testing, system operation guidance and user training on the project. Currently defined work for the core project is worth approximately \$35 million.

AGRA Industries Limited has also formed a joint venture with a Chinese construction company and opened an office in Wuhan, China. The AGRA Construction Group has formed a joint venture with Bridge Machinery Works, a subsidiary of the Major Bridge Engineering Bureau in Wuhan, to pursue ground modification and foundation construction work in the region. The new company, AGRA China Construction Limited, will undertake foundation design, engineering and construction work and will focus specifically on subway and transit foundations, large building foundations, ports, docks, and bridge approaches and structures.

AKD International, Toronto, Ontario

AKD International, a division of Pang Holdings Ltd., has signed a \$140 million contract with China Ningbo ZhongQing Industry Group and Shanghai JinShan Group to develop a petroleum and gas pipeline mill in Shanghai. Phase I of the project, worth over \$38 million, will be completed by the end of 1995.

Atomic Energy Of Canada Ltd, Mississauga, Ontario

Atomic Energy of Canada (AECL) has signed a Memorandum of Understanding with the China National Nuclear Corporation (CNNC) to co-operate on the construction of two 700-megawatt CANDU 6 power plants. Canadian companies would provide between \$1400 and

\$2400 million of goods and services for the sale of the CANDU reactors.

Bennett & Wright International, Toronto, Ontario

Bennett & Wright have been awarded a contract by Sanioon Enterprises to provide design, procurement and construction management services for a mixed-use real estate project. The project is a 40-story commercial, residential and retail development in the business area of Tianjin. The approximate value of the project is \$100 million. More than \$60 million could be eligible for competitive tender from Canadian construction material suppliers. Work on the project will commence immediately and be completed in 1997.

Bethune International Group, Toronto, Ontario

Bethune International has entered into a new joint venture to provide consulting, architectural and engineering design, construction, property management and technology importation services for a new telecommunications tower in Chengdu, Sichuan Province. This project is the first ever telecommunications tower commercial development in China owned by foreign investors. The total value of the project is estimated at \$135 million.

Black Clawson-Kennedy Ltd., Montreal, Quebec

Black Clawson-Kennedy Ltd. has announced the opening of a sales and applications office in Guangzhou and the signing of a joint venture co-operation agreement with the Guangzhou Municipal Light Industry Bureau to supply Canadian technology to the Chinese pulp and paper industry. The company estimates that this venture will result in over \$100 million of export sales for Black Clawson-Kennedy's operations.

Canadian Agra Corporation, Kincardine, Ontario

Canadian Agra has signed an agreement with Changchun Huaxin Grain Development Co., Ltd. to build a 100-million litre fuel ethanol plant using Canadian Agra's Integrated Agricultural Concept in Jilin Province. The technology transfer is estimated to be worth \$47 million and the construction of the ethanol plant to be worth \$60 to 110 million.

Canadian Fracmaster Limited, Calgary, Alberta

Canadian Fracmaster has established a representative office in Beijing. It has brought equipment to conduct demonstrations of fracturing of deep, high temperature, low permeability wells using diesel and its proprietary chemicals. About 12 wells will be stimulated in the Shengli, Huabei, Dagang and Zhongyuan Petroleum Administrative Bureaus, located onshore in the Bohai Basin (the second-largest oil producing region in China.) The aim of this technology is to prop open geologic formations to increase the flow of oil and gas. Following the successful demonstration program, Fracmaster anticipates entering into joint ventures with the Bureaus to assist them in increasing production

from technically difficult wells. The demonstration program should be completed by December, 1994.

Can-Alm International, Toronto, Ontario

Can-Alm International has agreed to build four major power plants worth more than \$170 million in various parts of China. The largest project is in Handan, Hebei Province, where Can-Alm will construct a 100-megawatt coal-fired thermal plant, providing power for the electrical grid in Hebei Province and steam for local industry. Construction may begin as early as December 1994 and the total value of the deal is \$112 million. China will provide 20 per cent of the total equity, with Can-Alm supplying the balance. Canadian firms will play a major role in the project, including engineering work, design, construction and operation of the plant. A large percentage of the equipment will be procured in Canada.

Casco Engineering Inc., Toronto, Ontario

Casco Engineering has entered into joint venture agreements with two Chinese organizations to manufacture and to build unique, affordable modular homes. The first joint venture agreement is with the BGP division of the China National Petroleum Corporation to manufacture and build an initial 1100 homes annually. BGP China National Petroleum will also market the Casco-designed and engineered homes throughout China and Asia. The second joint venture agreement is with Beijing's Shunyi County Group. This agreement is to manufacture and build homes and to manufacture and market a range of building components to other builders. Exports from Canada to China are expected to total \$15 million per year.

Certified General Accountants Association Of Canada

The Certified General Accountants Association (CGA) of Canada has announced the signing of a joint venture Professional Accounting Consulting Facility Agreement with the University of International Business and Economics in Beijing. The Association and their clients will benefit from the opportunity to work with Chinese partners and to introduce Canadian expertise, experience and products to many sectors of China's rapidly expanding economy.

Chemetics International Company, Vancouver, British Columbia

Chemetics International Company has been awarded a \$10.6 million contract by China National Technical Import and Export Corporation of Beijing to supply proprietary technology to the Shandong Pesticide Factory, Zibo, Shandong province. Chemetics will supply design and engineering services as well as equipment for a 30,000 tonnes per year chloralkali plant. The facility will use the latest membrane electrolyzer technology for the production of chlorine and caustic soda. It is anticipated that the project, to commence immediately, will be completed in 22 months.

China Gold Corporation, Vancouver, British Columbia

China Gold Corporation was formed recently to explore, develop and operate in China's emerging gold mining industry. China Gold has signed a joint venture agreement which grants it exclusive exploration and development rights in the 23,000 km² Baise Exploration Area located in western Guangxi. The agreement calls for Canadian investment of \$6 million over the next few years.

Chinalink Communications, Vancouver, British Columbia

ChinaLink, a member of the Tradeglobe group of Canadian companies based in British Columbia, has entered into a joint venture with partner JiTong Communications Co. Ltd. JiTong was created by China's Economic & Trade Commission in late 1993 to supply long distance data and network services. The joint venture, to be known as Beijing JiTong Tradeglobe Information & Communication Co. Ltd., will design and provide turnkey information systems and communications networks for business and the public via commercial Internet throughout China. Global Link, the resulting communications system, will provide users in China with access to the fast-growing global Internet network.

Delorme Group Inc., Rexdale, Ontario

Delorme Group and their partner Red Leaf International Project Partners Ltd., have signed a memorandum of understanding with the Chaozhou Sambaimen Economic and Technology Development Corporation to design, develop and build the Chaozhou-Red Leaf Industrial Park Limited. The Industrial Park will enhance economic and technical co-operation, improve the investment climate within Chaozhou City and help develop the local economy.

Dessau International Ltd., Laval, Quebec

Dessau International, leading a consortium which includes BC Hydro International and Hydro-Quebec International, has signed a letter of agreement with the Sichuan Electric Power Administration to co-operate in the construction of a 3500-megawatt hydroelectric and irrigation dam in the Province of Sichuan. Dessau is preparing to conduct the project's feasibility study in early 1995. Once the feasibility study has been completed and approved by the State Planning Commission of China, the project could create opportunities worth \$400 to \$500 million for Canadian equipment supply companies and \$50 million for Canadian service providers.

Dominion Bridge, Montreal, Quebec

Dominion Bridge has signed a joint venture agreement with the City of Chengdu to finance, build, operate and manage the first phase of Chengdu's Metro Project. The project consists of four entities: a toll highway, two cement plants and a pumped-hydro storage power plant. The total project is budgeted at \$800 million. The estimated value of Canadian content of this project

is \$200 million. The duration of the joint venture ownership and operation contract is for a period of 35 years.

Fairchild Investment Inc., Vancouver, British Columbia

Fairchild Investment has reached an agreement with Beijing Stone Group Co. to acquire control of Stone Pharmaceutical, located in the Province of Anhui. Stone Pharmaceutical manufactures Vitamin C and other related pharmaceutical products, with the majority of its production currently being sold in the United States. Stone and Fairchild are committed to invest approximately \$30 million for the expansion of Stone Pharmaceutical's production facilities. Stone and Fairchild will also work together to seek out investment opportunities in the pharmaceutical industry, in China and Canada. They intend to establish a facility in Canada for the manufacture of pharmaceutical products to be sold in North America.

GEC Alstom Electromechanical, Tracy, Quebec

GEC Alstom Electromechanical has signed a memorandum of understanding with the Northwest Electric Power Group for the development of the Gongboxia Hydroelectric Project on the Yellow River in Qinghai province. This agreement is valued at \$360 million and covers the design, manufacturing, installation and commission of equipment for a hydroelectric generating station with a total projected capacity of 1500 MW. The project will commence in 1995, with completion scheduled for 2003.

Greystone Energy Systems Inc., Moncton, New Brunswick

Greystone Energy Systems has signed a contract with Honeywell of China, valued at \$2 million over three years, to supply temperature, humidity and pressure sensors for building climatic control systems.

Government of Alberta

The Government of Alberta has signed a letter of intent with the Heilongjiang Foreign Affairs Bureau to open an Alberta Agriculture commercial office in Harbin. The office will promote commercial co-operation between Alberta and Heilongjiang enterprises.

A letter of intent was also signed with the China National Petroleum Board to share HC3 technology developed by the Alberta Energy Oil Sands Research Division (formerly AOSTRA) and the Alberta Research Council. The HC3 technology can be used to produce high-quality synthetic sweet crude or transportation fuel from heavy oil residues at lower costs than other available technologies.

Harris Farinon Canada Inc, Montreal, Quebec

Harris Farinon Canada has signed letters of intent for the sale of digital microwave radio equipment to three Chinese state utility companies valued at approximately \$14 million.

As part of these projects, Harris Farinon Canada will supply its advanced Quadralink microwave radios to modernize and extend the wireless telecommunications network of the state utilities responsible for hydroelectric power production, flood control and land management in the provinces of Hubei, Hunan and Heilongjiang.

Innovative Board Technologies Inc., Cambridge, Ontario

Innovative Board Technologies has signed a joint venture agreement with the Shenyang Decorative Material Manufacturing Company to construct and operate a \$30-million medium-density fibreboard plant in Shenyang, Liaoning Province. With financial arrangements expected to be concluded within the next three months, the plant is scheduled to start up in September 1996. Innovative Board Technologies has established an alliance of Canadian machinery manufacturers and engineers who will be responsible for the design, supply and construction of the plant and who will provide operational and marketing management for a five year period after start up.

Inter Canada Far East Trade Centre Inc., Toronto, Ontario

Inter Canada Far East Trade Centre has signed an agreement with the Chinese National Hockey Team to participate in a series with Canada's National Hockey Team. The series will consist of two games in Beijing and four games in Harbin in 1995. This exchange is expected to open doors to the Chinese market for Canadian hockey products and equipment. Financing of the event will be achieved through the support of numerous international corporate sponsors.

ITI World Investment Group Inc., Vancouver, British Columbia

ITI World Investment Group has signed a letter of intent with the Saskatchewan, Alberta and Manitoba Wheat Pools and XCAN Grain Pool Ltd. of Winnipeg to jointly form the Asia Malt Corporation to develop a 300,000 tonne Malting Barley Plant in Qingdao. The initial phase of the plant (150,000 tonnes) is valued at approximately \$60 million, with an additional investment of \$27 million to expand the plant to 300,000 tonnes. The Asia Malt Corporation also signed a letter of intent with the Mayor of Qingdao to acquire an option on a 50-acre site.

Kvaerner Hymac Inc., Laval, Quebec

Kvaerner Hymac has signed a contract with the Yiben Paper Mill in the Sichuan Province to supply an APP (Alkaline Peroxide Pulping) High Yield Pulping System to produce 200 tons per day of high quality pulp from eucalyptus plantation forests. The APP process technology is environmentally friendly, has a low energy consumption and produces a high brightness paper product suitable for books and writing paper. This project could lead to the export of Canadian equipment worth more than \$4.7 million.

Lateral Vector Resources Inc., Regina, Saskatchewan

Lateral Vector Resources has signed a co-operative oilfield development agreement with the Chinese National Petroleum Corporation (CNCP) to provide technology and capital for the drilling of 200 re-entry horizontal oil wells. The agreement currently includes two oil fields: Liaohe (the third largest oil-producing field in China), and DaGong (the second-largest producing field in China), but it may be extended to other oil fields under CNPC jurisdiction. Lateral Vector Resources, through its partners and affiliates, expects to invest \$45 million over the next two years and anticipates the project will generate more than \$107 million. The project is scheduled to commence January 1, 1995. Canadian equipment and personnel will be utilized in the areas of reservoir engineering, well design, and directional drilling.

Maple Oil & Gas Inc., Vancouver, British Columbia

Maple Oil & Gas has signed a co-operative venture contract with the Nanhai United Petroleum Development in Guangdong Province. Maple Oil & Gas will confer a franchise licence to the joint venture to operate gasoline stations and will provide the management expertise to establish and operate the stations. The total contract value is \$22.5 million.

Mitel Corporation, Kanata, Ontario

Mitel has signed a joint venture agreement to form the Tianchi-Mitel Telecommunications Corporation (TMTC) in Tianjin. TMTC is now assembling a new line of products based upon Mitel's digital, fibre-optic based technology. TMTC will also provide an effective channel of distribution for Mitel's technology in China.

NASIA Group, Toronto, Ontario

NASIA Group has signed a letter of intent with Huairou County, Beijing, to undertake the engineering and construction of the Jing-Huai Expressway project. This project will upgrade the existing Beijing-Huairou section of the Beijing-Shenyang road from a national grade highway to an express highway. NASIA Group will carry out this 40 km project in co-operation with Canadian highway engineering, equipment and materials companies. The total value of this project is approximately \$270 million.

Nordion International Inc., Kanata, Ontario

Nordion International has signed a letter of intent with BINE New Technology Corporation of the China Beijing Institute of Nuclear Engineering and Liu Niang Fu Agricultural, Industrial and Commercial Corporation of Shi Jing, Beijing, to form a joint venture company. Jing Yuan-Nordion Irradiation Company Limited, to be located in the Ba Da Chu High Technology Park in Shi Jing Shan, Beijing, will design, manufacture, market, supply, install and operate radiation processing systems in China and other selected markets. The initial combined BINE/Nordion investment

for the joint venture will be US\$3 to 5 million. The first plant will use Cobalt 60 technology to sterilize single-use medical supplies such as syringes, catheters, intravenous sets, gowns, gloves and face masks. Some pharmaceuticals, cosmetics and foods will also be disinfected using this technology.

Northern Telecom, Mississauga, Ontario

Northern Telecom has signed a three year cooperation agreement with the Guangdong Province Posts and Telecommunications Administrative Bureau (GPTB) for the supply of telecommunications equipment. Under the agreement, GPTB will purchase up to \$250 million of Northern Telecom's advanced products, including switching systems, advanced fibre-optic transmission equipment and cellular telephone systems. Central office telecommunications switches will be supplied from Northern Telecom's new manufacturing facility being established in the city of Shunde, Guangdong in 1995.

Original Canadian Seafood Company Ltd., Vancouver, British Columbia

The Original Canadian Seafood Company (OCS) has signed a letter of intent with the Dalian Huawen Economic and Technology Cooperation Co. Ltd., a wholly-owned subsidiary of the People's Daily, China's national newspaper. This agreement extends a 12-year contract signed earlier this year, which created a Joint Venture Company in Dalian to supply seafood products and aquatic technology to the Chinese market. OCS has made arrangements with a major Canadian seafood canner to produce canned seafood broth in bulk for export to China.

Reichmann Asia Company Ltd., Toronto, Ontario

Reichmann Asia Company, a development arm of the Reichmann group of companies, and Beijing STRONG Hi-Tech Development Corp. have established a joint venture which will develop an 1,800 hectare site known as the Shangdi Information Industry Base. The site will house high technology industry. Land use rights have been granted for fifty years and the joint venture has completed a technical feasibility study. The project will be developed in phases; the first phase will be a 50,000 square metre residential development. The joint venture will undertake further projects on a right of first refusal basis. Beijing STRONG will contribute land for development and Reichmann will contribute capital, management expertise and technology.

Repap Enterprises Inc., Montreal, Quebec

Repap has signed an agreement with the China National Light Industry Material Supply Corporation for the long-term supply of pulp from the firm's operation in Prince Rupert British Columbia. Repap has also announced the opening of an office in Beijing.

RES International Inc., Ottawa, Ontario

RES International has signed an agreement with the China Patent Information Centre to establish a joint venture named Technet China Corporation. The joint venture will undertake technology information dissemination and technology transfer through a national data network. The network will eventually encompass fifty sub-centres throughout China and will represent an investment of \$70 million over the next five years. It is projected that the joint venture will result in the export of Canadian computer software products and services, computer and data communications hardware products, data conversion services, training and technology transfer activities, license fees, royalties and profits valued at more than \$100 million over the first five years.

Spar Aerospace Limited, Toronto, Ontario

Spar Aerospace has signed a letter of intent with the China National Railway Signal and Communications Corp. and the Civil Products Bureau of the China Aerospace Corp. to establish a joint venture providing satellite communications technology, products and supporting services in China. The agreement calls for the complete operation, integration and testing in China of satellite communications networks for public and private users.

SR Telecom Inc., Montreal, Quebec

SR Telecom has signed contracts worth approximately \$21.5 million with the provincial telecommunications authorities of Guizhou and Ningxia provinces to supply complete radio systems to be used in the construction of networks bringing telecommunications services to rural regions. Under the terms of the contracts, SRT will manufacture and deliver the systems from its factory in St. Laurent, Quebec, and will provide planning, training and installation supervisory services. Equipment deliveries are currently scheduled to begin in the third quarter of 1995, and will continue through 1996.

Sydney Steel Corporation, Sydney, Nova Scotia

An agreement covering a three-year joint operation and sale of the provincially-owned Sydney Steel Corporation (Sysco) to the China Minmetals Group has been signed. The agreement calls for a three-year joint operation, during which time the partners would share ownership along with any profits or losses. The partners agreed to contribute \$15 million each for new capital expenditures.

Technophar Equipment & Service Ltd., Oldcastle, Ontario

Technophar Equipment & Service has signed a \$6.5 million contract to supply hard gelatin capsule manufacturing machinery to the Baotou Jinxing Medical Capsule Co. Ltd. in the city of Baotou. Technophar will provide a management and technical team for a period of up to three years to operate the Baotou factory.

Thiessen Equipment Ltd., Langley, British Columbia

Thiessen Equipment has signed a memorandum of understanding with Anshan Iron and Steel Corporation of China to open a manufacturing and repair facility for surface mining and drilling products. This operation will expand Thiessen's involvement in China beyond its existing business in the Chinese coal and copper mining industry.

Vickers & Benson Companies Ltd., Toronto, Ontario

Vickers & Benson have signed a joint venture agreement with the state-owned China Central Television (CCTV) to co-produce a series of 26 "English as a Foreign Language" television programs directed to the people of China. CCTV is China's largest television network, with a potential of 800 million viewers.

Xenexi Group Investments Ltd., Montreal, Quebec

Xenexi Group Investment has signed sales and construction contracts with two major Chinese developers to supply Canadian-designed wood frame residential homes. The total contract value is \$17.6 million. The contracts cover the initial phases of two development projects, namely the Vancouver Garden (residential villas) and the Holiday Inn Hailing Island (beach resort). Xenexi will supply up to 80 percent of the building materials, such as lumber, roofing shingles, vinyl siding, doors and windows from Canada. The company also will send Canadian project managers, superintendents and construction workers to the construction sites to provide training and supervision.

1. Information, including estimated costs, investment projections, and contract values, contained in this document has been compiled based on press releases and other submissions provided by the companies listed. The Government of Canada takes no responsibility for the accuracy of this information. For more fuller descriptions of the above-listed companies' activities in China, please consult their individual press releases or contact the company directly.