

Huaqiao in the Middle Kingdom

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Key Market Indices

	Value	1M	YTD
HSI	24,265	7.8	(12.8)
HSCEI	13,138	(1.1)	(18.5)
HSCCI	5,409	7.7	(11.5)
MSCI HK	11,771	1.5	(15.9)
MSCI China	70	(1.1)	(18.5)
FTSE-XinhuaA50	13,852	(14.9)	(32.2)
Shanghai A	3,616	(19.9)	(34.5)
Shenzhen A	1,055	(26.8)	(30.6)

	P/E (x)		EPS (chg %)	
	08E	09E	08E	09E
HSI	16.4	14.5	3.6	12.6
HSCEI	14.1	12.3	27.2	14.4
HSCEI ex oil	14.5	12.4	30.8	17.0
MSCI HK	18.5	16.8	(10.6)	10.1
MSCI China	15.5	14.5	24.8	14.4
FTSE-XinhuaA50	19.5	16.4	35.4	19.0

Sources: Bloomberg, BOCI Research



- **China-HK recommended stocks:**
In - Gome Electrical, China Coal.
Out - Minth Holding, Yanzhou Coal.
- **HK-HK recommended stocks:**
In - Dah Sing Financial, New World Development.
Out - Bank of East Asia, Champion REIT.
- **China-A recommended stocks:**
In - Chengdu People's Dept Store, Salt Lake Potash.
Out - CITIC Guoan, Shenzhen Overseas Chinese Town.

Sector Data	1M % chg.			YTD % chg.			2008E P/E (x)			Rating			Top Recommendations		
	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A
Agriculture (0,0,1)	-	-	(35)	-	-	(23)	-	-	26	-	-	-	China Green	-	None
Automotive (8,0,17)	(4)	-	(26)	(28)	-	(29)	8	-	17	OP	-	OP	Denway	-	King Long
Chemicals (4,0,15)	(0)	-	(18)	(13)	-	(13)	27	-	40	OP	-	OP	Sinofert	-	Y. Wanhua
Consumer - F & B (11,0,15)	3	-	(12)	(8)	-	(13)	10	-	15	MP	-	OP	Xiwang Sugar	-	Swellfun
Consumer - Durables (5,0,12)	1	-	(9)	(4)	-	(10)	5	-	12	MP	-	OP	Haier	-	Haier
Consumer - Textiles (3,10,1)	1	4	(1)	(2)	(2)	(1)	3	19	1	U	MP	-	Ports Design	Lifestyle	None
Consumer Services (5,10,6)	(3)	2	(26)	(19)	(12)	(29)	11	22	51	U	MP	OP	GOME	Shun Tak	Beijing Tour
Energy (9,0,12)	(1)	-	(18)	(24)	-	(24)	14	-	25	OP	-	OP	China Coal	-	Pingdingshan
Financials (12,15,19)	13	11	(7)	(10)	(4)	(26)	25	12	18	OP	MP	OP	ICBC	Wing Lung	ICBC
Industrial (13,14,36)	(4)	1	(22)	(18)	(18)	(29)	25	13	24	OP	OP	-	GZ Shipyard	Pico	Long Yuan Con.
Media (3,7,6)	(17)	(5)	(34)	(31)	(7)	(38)	14	13	18	U	MP	U	None	Next Media	None
Metals & Mining (10,0,17)	(8)	-	(25)	(17)	-	(33)	20	-	15	OP	-	OP	Xinxin	-	Shandong Gold
Pharmaceuticals (4,0,14)	(0)	-	(14)	(13)	-	(20)	2	-	20	OP	-	OP	TRT	-	Dong-E-E-J
Property (11,14,15)	9	8	(1)	(15)	(16)	(16)	16	18	20	OP	OP	MP	Sino Ocean	SHK Prop.	Vanke
Technology (9,5,6)	12	(3)	(16)	(20)	(22)	(14)	11	10	24	MP	U	U	Lenovo	ASM Pacific	Shengyi Sci
Telecoms (4,4,1)	12	7	(21)	(8)	(4)	(33)	20	13	33	MP	U	MP	China Unicom	SmarTone	None
Transport - Aviation (5,2,9)	(0)	0	(6)	(4)	(3)	(9)	3	3	5	OP	-	OP	Air China	-	SIA
Transport - Land (6,2,12)	(0)	0	(7)	(5)	(3)	(12)	3	3	6	OP	MP	OP	Shenzhen Exp	None	Shandong Exp
Transport - Marine (6,2,8)	(0)	0	(5)	(6)	(3)	(8)	4	3	4	OP	U	MP	COSCO Pac	Pacific Basin	CSD
Utilities (10,3,16)	4	8	(20)	(26)	7	(30)	15	18	26	OP	U	OP	Beijing Ent	HK & C Gas	Yangtze Power

(-,.) represents the number of stocks under China-HK, Hong Kong and China-A respectively. Sector share price movement weighted by free float market capitalisation.
NB: Outperform (OP) = ≥+10% compared with the relevant benchmark index over a 6-month period; Underperform (U) = ≤-10% compared with the relevant benchmark index over a 6-month period; Marketperform (MP) = ≤+10% and ≥-10% compared with the relevant benchmark index over a 6-month period; Not Rated (NR), arrows indicate change in rating; bold red is a change in top recommendations

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The Noble House – Ignoble History and Future

“I’m going to wait. It’s an old Chinese custom. Patience... And this is Hong Kong. Here the strong survive and the weak perish” — Ian Dunross, Taipan of the Noble House.

The NBC television mini-series *“Noble House”*, based upon James Clavell’s 1981 novel of the same title, aired in 1988. As a young man, I remember being captivated by the tale of business and intrigue in Hong Kong and religiously followed it every night for the week that it was on. The *Noble House* mini-series was possibly one of the bigger influencing factors in my decision to move to Hong Kong in 1994 and I remember looking for the DVD a few years ago only to be told that it was never produced. However, the DVD has now been released and I managed to get through all six-plus hours during my recent skiing trip to Hokkaido, Japan.

Watching the series 20 years later with more experienced and cynical eyes, I can say a few things. First, to be fair, it is still a very entertaining show, despite its shortcomings, which I will describe below, and I wholeheartedly recommend anyone with an interest in Hong Kong to watch it. However, with the benefit of a decade and a half working in Asia, I can say that Clavell in his Asian-based novels, such as *“Shogun”* and *“Taipan”*, displays a remarkable lack of deep insight on Asia, as well as highlighting a paper-thin level of personal creativity in his writing. While the word *“Taipan (大班)”* is clearly Cantonese for *“big boss”*, I have yet to figure out which Chinese word sounds like *“Joss”* and means luck or fate as Clavell claims. The incense sticks that we burn in temples are called *“xiang”* in Mandarin or *“heung”* in Cantonese, not *“Joss sticks”*. I have also not heard anyone over the past 15 years blame a catastrophe on bad Joss. Only in America can a man shamelessly copy the front-page stories of the *South China Morning Post* (i.e., fire at the Jumbo Seafood Restaurant in Aberdeen Harbour, the collapse of a Mid-levels apartment building during a typhoon-induced landslide), and superimpose these events on real people and firms with only the most pathetic attempt to disguise them and not be accused of plagiarism. The fictional Noble House (called Struan’s) is very clearly Jardine Matheson, while Rothwell-Gornt can only be Swire’s. The collapse of the Ho-Pak Bank following a bank run and its ultimate rescue by the Victoria Bank can only be Hang Seng Bank being bought by HSBC under similar circumstances in 1965. If sticking an American protagonist into an *“exotic”* Asian setting then copying places, people and events from history is all it takes to become a *New York Times* bestselling author, I have to try to write a novel about Hong Kong.

While the original book was set in 1963, the mini-series was already horribly dated by the late 1980s, as the façade of two British Taipan’s vying for economic control over Hong Kong could only be seen as comical, given the rise of local tycoons, such as Li Ka-Shing. Indeed, by the 1980s, many of the British *“Hong” (行)*, such as Hutchison, Wharf and Wheelock Marden had already been bought out by more entrepreneurial locals like Sir Y.K. Pao. And I will never forget the insight told to me by the late Ronald Carstairs, who joined Standard Chartered Bank in the late 1960s (Standard Bank and Chartered Bank formerly merged in 1969). Back in the 1970s, StanChart was larger than HSBC (Hongkongbank) while Jardine’s, Swire’s and other British Hong dominated the local economy. Ron’s theory was that, because it was larger and more global, StanChart had the strength and ability to make the mistake of diversifying out of Hong Kong just as the city entered its most rapid growth era during the 1980-90s, while HSBC was stuck and, in hindsight, accidentally benefited from the rising economic tide. Jardine’s clearly suffered from a similar lack of foresight. I cannot help, but think that we are on the cusp of another dramatic change in the global economic arena, but, this time around, the key players will have Mandarin pinyin names.

Capitalism With American Characteristics

“Increasingly complex financial instruments have contributed to the development of a far more flexible, efficient, and hence resilient financial system than the one that existed just a quarter-century ago.” — Alan Greenspan 2005.

The former *“maestro”* of the Fed may want to rethink his thoughts about how derivatives have made financial systems more resilient given recent events. I think Warren Buffett’s description of derivatives as *“financial weapons of mass destruction”* was more accurate. On 23 January, I wrote this ad hoc piece titled *“Capitalism with American Characteristics”* which I reproduce below (I am a firm believer in *“environmentally friendly”* research – that is to say, recycle and reuse):

“Not so long ago, America spent millions of dollars fighting forest fires each year, but conventional wisdom now has it that the occasional forest fire is good as it clears out the dead wood and detritus, and provides room for a younger, healthier forest to grow. Such is also the case with free markets and capitalism, which are supposed to be characterised by the cycle of so-called creative destruction. Not so long ago, Americans used to point proudly to the fact that they allowed old sunset industries pass into history to make room for nimble new-economy high-technology enterprises as being a pillar of their success.

However, something has gone horribly wrong with this utopian view of American capitalism. Now, instead of letting day traders and homeflippers suffer for their own irrational exuberance and greed, the Federal Reserve actually tries to save the wretches from their own avarice. Like a late-night party from a bad college movie that has gone on for far too long, every time it looks like people are starting to sober up, the Fed marches in with a new keg of beer to keep things going. After the dot.com crash, the Fed managed to stabilise the economy and avoid a major recession by slashing rates to 1%, but at the cost of creating the current housing bubble. Now that the housing bubble is collapsing, the Fed is once again doing an *“emergency”* cutting of rates by 75bps to help stock investors avoid the pain of a major market correction and to save homeowners dumb enough to buy McMansions that were far more expensive than they could afford at teaser rates that were destined to be much higher in two years. This is the new American economic paradigm – painless capitalism.

Make a mistake? No problem, the Fed and the government will come to your rescue. However, eventually, even the hardest partygoer can no longer countenance having any more beer, the whole shaky edifice must come crashing down. The day of reckoning has not arrived yet and the Fed’s move will serve to delay that day further into the future with more even painful consequences.”

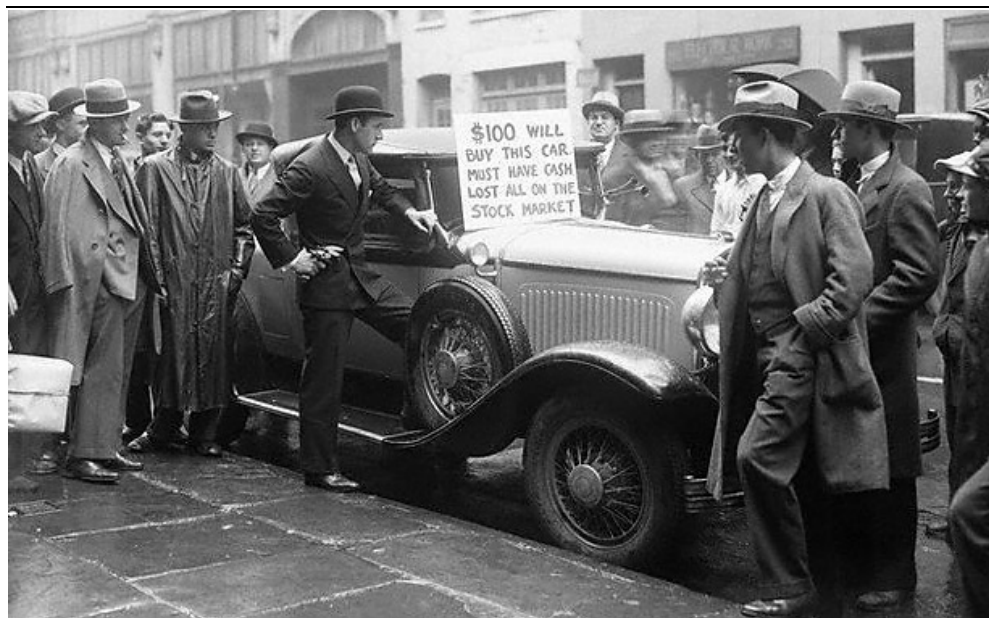
Clients response to this piece varied from *“the only scary thing is that I agree with him fully”*, to *“the key role of any central bank is to preserve the integrity of the financial system. To be the lender of last resort... Bond markets have stopped functioning... Risk – wholesale and large scale corporate bankruptcies that threaten not just recession but global depression. Of course the Fed had to act. Whining about moral hazard just misses the point”*.

To be fair, I kind of agree with the last fund manager’s point. A central bank **should** intervene to avoid systemic collapse. Where I take exception is the double standard that seems to exist. When Asian central bankers intervene (i.e., the Hong Kong government’s stock market intervention in 1998), global investors start whining about the end of free markets. However, when the Fed bails out Bear Stearns or the Bank of England saves Northern Rock (both at taxpayers’ expense), that is fine. Having said that, in my opinion, both the 1998 and 2008 interventions were necessary.

In Fed We Trust

“I know what you’re thinking. ‘Did he fire six shots or only five?’ Well, to tell you the truth, in all this excitement I kind of lost track myself. But being as this is a .44 Magnum, the most powerful handgun in the world, and would blow your head clean off, you’ve got to ask yourself a question: Do you feel lucky? Well, do you punk?” – Clint Eastwood in the 1971 movie “Dirty Harry”.

1929 Stock Market Crash



Source: Time Magazine

My preamble this month leads me to the core of what I want to discuss. Where are we currently in the global economic and market cycle, and where are we going? (i.e. what should investors do now). I had particular trouble selecting this month’s cover photo as I really liked my second pick, which is a classic photo of a 1929 stock market crash victim (see above). This month’s final cover photo is of a Ferrari that smashed into a lamppost in Australia, which I think is a very appropriate metaphor, given the crash in global markets that Wall Street’s “Masters of the Universe” have exacerbated through the wanton and careless deployment of, what Warren Buffett calls, “financial weapons of mass destruction” (i.e. derivatives).

Through some digital magic, we added the Chinese characters for crisis (*weiji* 危机) on the front of the Ferrari, which old Asia hands will recognise from the 1997-98 Asian Financial Crisis. It bears repeating that, while these two characters combined create the Chinese compound word for crisis; individually, (*wei* 危) means danger and (*ji* 机) means opportunity. Thus, for the Chinese, a crisis is composed of both danger and opportunity and I think that this is quite appropriate for the current situation in global markets.

Despite the current market rebound (some would say “dead-cat bounce”) following the demise and ultimate takeover of Bear Stearns, I think markets are unlikely to return to “normal” any time soon. While I am on the subject of language lessons, I note that old English investment aphorisms are increasingly being literally translated into Chinese in the Chinese-language media in Hong Kong. “Dead-cat bounce” has become (*si mao tan* 死猫弹), while “cash is king” has become (*xian jin shi huang di* 现金是皇帝). While I am not a linguistic purist, I implore writers to stop using these terms because they sound stupid just as the Chinese saying for stock speculation and ramping (*chao gu piao* 炒股票) does not sound very good translated as “stir-frying stocks”.

Speaking of Bear Stearns, I happened to be a block away from its new midtown headquarters visiting a hedge fund the Friday afternoon before America’s fifth largest investment bank went belly up. Looking out the window at Bear’s gleaming new building, I jokingly asked the client if I walked across the street and offered them a dollar, did he think that they would they accept it? Little did I know that I had under-bid by 50% as events unfolded over the weekend (although J.P. Morgan later realised its bid fivefold from US\$2 to US\$10 per share). The unbelievably rapid collapse of Bear reminded me of those nature documentaries on television where a pack of sharks enters a feeding frenzy. Occasionally, one of the sharks is hurt during this process and, once the others get a sniff of the injured one’s blood in the water, they turn on it and tear it to pieces. I will leave it up to the historians to decide whether Bear would have survived if the Fed had put its emergency funding measures into place earlier; but my take on the situation is that the “bailout”, although backed with US\$30bn (now US\$29bn given J.P. Morgan has agreed to take the first US\$1bn in losses) in taxpayers guarantees probably was necessary to prevent a systemic collapse of the financial system. I saw a banking run up close in 1998 as I ran across the street from Exchange Square to watch nervous depositors queuing to take their money out of the International Bank of Asia (now Fubon Bank in Hong Kong) during the Asian Financial Crisis. Trust me, it is not a pretty sight and such situations can easily spiral out of control.

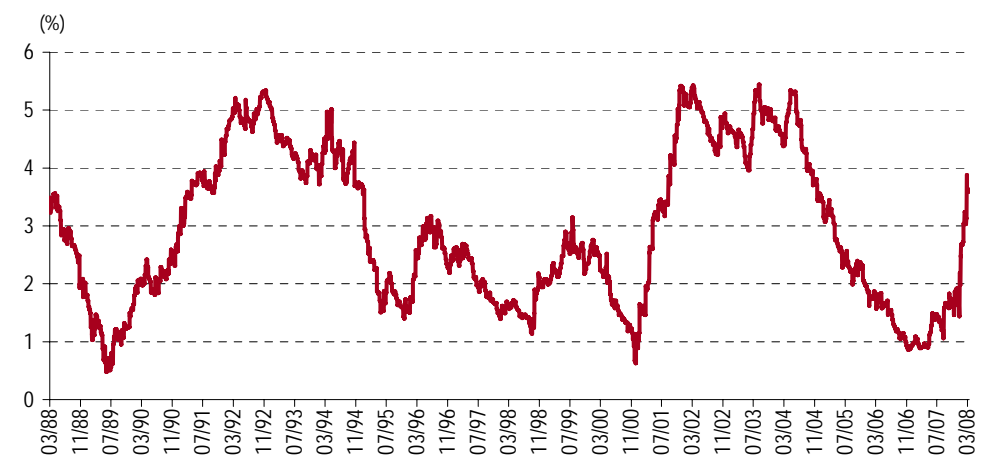
It is also poetic that the rescuer of Bear is J.P. Morgan, given that its namesake founder (that would be financier John Pierpont Morgan) was instrumental in preventing a financial meltdown 100 years earlier in October 1907 during a major bank run stemming from the collapse of the Knickerbocker Trust. So grateful were authorities (remember the Federal Reserve Act was only passed in 1913, a direct result of the 1907 banking crisis), whose US\$35m cash injection failed to stem the panic, that J.P. Morgan was subject to Congressional hearings into his perceived dominance over financial markets. When J.P. Morgan was asked by a House committee member, “is not commercial credit based primarily upon money or property?” his answer was “no sir, the first thing is character... money cannot buy it... because a man I do not trust could not get money from me on all the bonds in Christendom.” Bear had evidently lost the faith of the markets and, just as it was 100 years ago, trust is a bank’s greatest asset.

As I wrote in January, “I have and will continue to use the word recession to describe the outlook for the US economy in 2008 and firmly believe that, even if the official numbers do not show it, it will certainly feel like a recession to the average man on the street. I also predict that the word ‘stagflation’ will make a comeback. Then, there are the problems in the financial system. Throughout this long and drawn-out correction process, we will continue to have blowups in the financial sector, as banks will invariably find new skeletons in the closet and increase provisions on assets previously thought of as bullet proof. We have seen the first wave of this with capital injections into major American financial groups, such as Citigroup and Merrill Lynch. It is unlikely that this process is over and further write-downs and fund raising will become a recurring theme in 2008. Shockingly, I am starting to get 1997-98 Asian Financial Crisis flashbacks like a war veteran in a movie.” So far, these comments have proven to be quite accurate and I see no reason to change my view at this point in time.

I think history will look upon the Bear Stearns affair as the defining moment or turning point of the current market malaise (unless, of course, a bigger US or European bank goes under in the next few months). While this does not mark the end of the financial markets correction (and the real US economy still has years of pain and deleveraging ahead of it), I think it does mark the end of the beginning. Another rule of thumb I picked up from the Asian Financial Crisis is that bank recapitalisations always seem to come in threes. The first recap is almost never enough and investors in the first injection almost always end up losing most their money. The second recap is a little more realistic and cleans up most of the mess, while the third is the one required to restore faith in the stricken firm's balance sheet (i.e. you almost have to over-recapitalise for the market to believe it is enough). Now that Citigroup and UBS have done two huge recapitalisations, we are much closer to the end of the process than we were only three months ago.

However, while the Fed's moves to save the financial system from imploding on itself is likely to succeed, one should keep in mind that this is not the same as going back to business as usual. Wall Street and the American (European?) banks are not going to rebound to healthy profits overnight. All the Fed has done is to stop them from going bust tomorrow. And this is unlikely to change until the underlying problems of collapsing property prices, home foreclosures and falling consumption reverses itself. In this regard, I think the Fed can do relatively little, as the market and US economy will have to work out slowly the huge imbalances it has built up over the past seven years on its own. As I wrote last August, "US housing prices have clearly gone through a substantial re-rating since 2000 that is well in excess of the long-term rise, which has generally kept pace with inflation. Thus, all the negative amortisation, interest-only, 100% finance, NINJA mortgages in the US bear a striking resemblance to the 'three-generation' mortgages in Japan in the 1980s in that both stretched a bubble far out of proportion with reality and we all know what happened to Japanese property in the last 15 years after the bursting of the bubble." Not surprisingly, I remain bearish on the US property market and, hence, the US economy for the next two years and this will remain a drag on global financial markets for some time to come.

US Conventional Fixed Mortgage Rates Minus Federal Reserve Rate

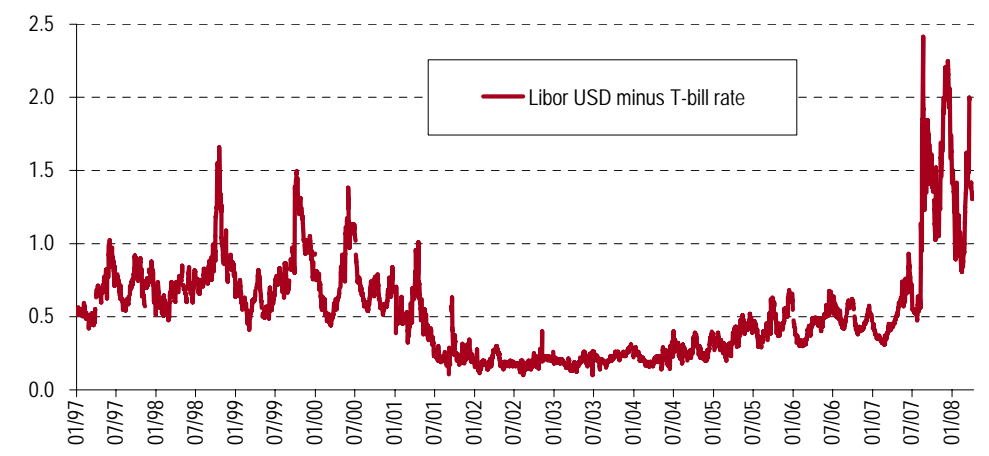


Source: CEIC

In simpler terms, while the Fed continues to slash its wholesale rates to save Wall Street and banks from collapse, this is not trickling down to the average man on the street still stuck with negative equity on his over-leveraged home and facing unemployment. We can see from the previous chart that the spread between mortgage rates and the Fed fund rates continues to rise as mortgage rates remain sticky, despite cuts in the benchmark rate (one will also see a similar trend for other longer-term debts, such as 30 year US government bonds). Thus, the only help the average American is getting is the US\$600 "stimulus" tax rebate, which is probably being spent on higher gasoline and food prices in any case (although the US government is still desperately trying to find other ways to bail out the American homeowner/consumer).

Other than the usual run-of the mill slashing of interest rates (the last 75bps cut has brought Fed Funds down to 2.25%), the Fed has also now become a lender of last resort for securities firms (on top of its traditional role as lender of last resort to banks) and has made available hundreds of billions of treasury bills to exchange for the now marketless mortgage-backed securities. Has this helped restore liquidity and confidence to the financial system? Maybe a little, but markets are still fragile as evident in the TED (T-Bill and Eurodollar) spread (usually benchmarked on the three-month rate). Technically, the Eurodollar rate (or LIBOR) of the same duration should be at a slight premium to the T-Bill rate, as there is a slightly higher risk in lending to another bank versus buying US Government securities. As the chart below shows, the TED spread has shot through the roof, meaning people are willing to get nothing from their T-Bills rather than take any risk of lending money to another (possibly insolvent Bear Stearns style) counterparty bank.

TED (T-Bill – Dollar) Spread



Source: CEIC

This is what I mean when I say that markets are far from returning to normal. It is also why I chose the quote from Clint Eastwood's *Dirty Harry* to start this section as I wonder just how many bullets the Fed still has to save the market. While I still do not believe in an apocalyptic collapse of the American financial system, both the markets and the underlying US economy are far from healthy and are increasingly becoming immune to the Fed's dwindling medicine chest.

This is what the *Economist* had to say about the increasing political outcry for greater regulation and reform of global financial services, "But there are two reasons to hesitate before plunging headlong into a purge of the system. First, finance was not solely to blame for the crisis. Lax monetary policy also played a starring role. Low interest rates boosted the price of assets, especially of housing, which in turn fed into complex debt securities. This created a spiral of debt that is only now being unwound... The second reason to hesitate is that bold re-regulation could damage the very economies it is designed to protect. At times like this, the temptation is for tighter controls to rein in risk-takers, so that those regular, painful crashes could be avoided. It is an honourable aim, but a mistaken one... It would be convenient to blame the regulators for all [the problems], but the system is stacked against them. They are paid less than those they oversee. They know less, they may be less able, they think like the financial herd, and they are shackled by politics... Regulators cannot know how trust will ebb and flow as new markets develop the experience and practice they need to work better. They therefore cannot predict the peril of new ideas. They have to let new markets develop, or stifle them... The regulator is condemned to muddle through."

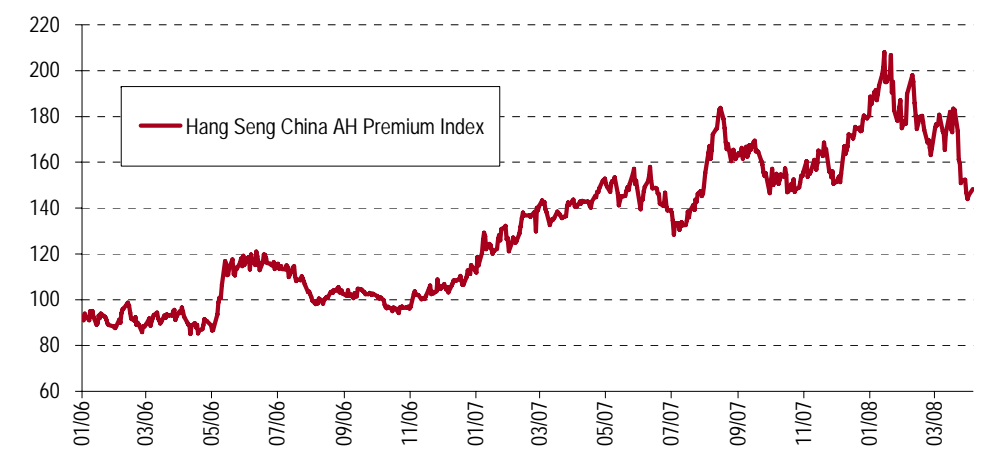
I agree with most of what the *Economist* said, but, while the developed world is moving rapidly towards increased re-regulation, China has never gotten to deregulation in the first place. Thus, the policy risks in China remain high, as the government's attempt to reign in inflation through non-monetary administrative means (i.e. price controls) causes dislocations throughout the economy. This was seen most recently in PetroChina, which managed to post a dismal 2% earnings growth for 2007 (1% fall using Chinese Accounting Standards), even though oil prices hit record highs due to huge losses in the downstream refinery business, where the government has tried to keep petrol prices stable. Thus, stock and sector picking is increasingly difficult as investors are never quite sure where and what the next policy decision will impact. As I wrote last month "I believe the only real safe industries are right at the top of the value chain and right at the bottom. I call this the buy it if you can dig it, drill it or grow it principal... Right down at the bottom means effectively retail level so includes things such as Wumart and Wangfujing Department Stores."

So where do we go from here? Last November, I wrote a small piece titled *5 November – The Day the Music Died* in which I said, "Readers will remember our headline quote from a now ex-Citigroup chief executive, Charles Prince, in [October's] *Huaqiao in the Middle Kingdom*, in which we said: 'When the music stops, in terms of liquidity, things will be complicated. But, as long as the music is playing, you've got to get up and dance. We're still dancing.' As Chuck Prince has already found out with the US sub-prime fiasco, like a game of musical chairs, the music can halt abruptly. To quote the immortal words of singer Don McLean in his song *American Pie*, for the Hong Kong stock market, 5 November was, 'The day the music died'... Needless to say, we are short-term bearish and believe that the long-awaited market correction has finally begun... Our view is that if indeed the short-term liquidity situation slowing down as suspected, a retrenchment in the markets is inevitable. We would guess that, over the next two months, the HSI could fall to the 26,000 level, the Hang Seng China Enterprise Index (HSCEI) to 16,000, with the Shanghai Composite re-testing the 5,100 level. As Don McLean sang, 'Bye, bye, Miss American Pie, drove my Chevy to the levy, but the levy was dry'."

How right (and wrong) I was as markets continued to plunge well past these levels in 2008. Last month, I wrote, "one of my investing axioms is that when everyone is universally bearish, I start to be bullish and that would seem to be the case today. My only real concern is a matter of timing as I think that in these uncertain times, one really needs stock to be dirt cheap rather than merely being inexpensive to give the necessary cushion against further 'irrational pessimism'." Despite the recent market rally, I believe we will still have at least one more buying opportunity over the next few months as the proverbial "other shoe" drops somewhere in the world.

Some clever investors have asked me what my exact definition of "dirt cheap" is in a clear and quantifiable number. I am always reluctant to box myself into a corner, but readers whom I have met over the past two months know that I am more than willing to offer my own best guess as to what is really cheap. So, I am about to make a big mistake and publish in black and white what I think is "dirt cheap". For the Hang Seng Index, it is 18,000-20,000. For H-shares, it is 10,000-11,000. For the Shanghai Composite it is 2,800-3,000. In other words, I recommend buying stocks at these levels for the medium to long term, as I think they are cheap enough that investors are likely to make pretty reasonable returns, as long as they are not too short term in their investment time horizons. These index levels translate into P/E's of 12.1-13.5x 2008 and 10.8-12.0x 2009 for the Hang Seng Index; 10.7-11.8x 2008 and 9.4-10.3x 2009 for the H shares; and 17.1-18.2x 2008 and 14.7-15.6x 2009 for the Shanghai Composite. A single-digit P/E multiple for a market with strong earnings growth is always a strong buy signal for me. Needless to say, I fundamentally like H shares more than A shares not just because they are cheaper, but because I have more faith in the forecasts. Looking at the chart below, we can see that the A-H premium has narrowed quite substantially in 2008 and is coming back to levels last seen in the middle of 2007. I said before that I expected this to happen this year and I will now say that I expect it to continue, although it is doubtful whether we will see the same magnitude of narrowing that we saw in 1Q08.

Hang Seng China A/H Premium Index



Source: Bloomberg

Interestingly, despite all the concerns investors have about earnings growth, our forecast for H-share 2008 earnings has actually been slowly revised up over the last quarter from 24% at the end of 2007 to 27% in April, while our 2009 earnings growth forecast has risen from 16% to 19%. For the FTSE/Xinhua A50, our 2008 earnings growth forecast has fallen from 38% at the end of last year to 35% currently. We will get better earnings clarity by May after the release of 1Q08 results in April, but it is clear that, so far, H-share earnings are being revised up, while A-share ones are being revised down. I expect this trend to continue as A-share earnings estimates suffer from, what I think, are generally more optimistic analyst forecasts to begin with and will likely be harder hit by falls in investment gains. Having said that, anyone can get it wrong as consensus forecast for US earnings has declined from 4% growth at the end of 2007 to **minus** 11% currently.

China – HK Strategy

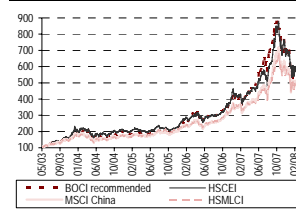
Performance Comparison

	% Change	Since
	1M	YTD
	Incept*	
BOCI recommended	(5)	(26)
MSCI China	(1)	(18)
HSMCLCI	1	(14)
HSCEI	(1)	(19)

* Inception May 2003

Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI China-HK Recommended Stocks

RIC	Last price (HK\$)	3M avg. daily T/O (HK\$ m)	Free float mkt cap (HK\$ m)	P/E (x)	Yield (%)	% Chg. 1M	% Chg. YTD	Date rec.	Wgt (%)					
Gome Electrical App.	0493.HK	17.74	188.8	26,271	47.6	24.5	19.3	1.3	1.9	2	(10)	0	03-Apr-08	2
China Coal	1898.HK	14.90	649.0	50,493	25.3	20.6	14.5	1.0	1.4	3	(39)	0	03-Apr-08	3
Walmart Stores	8277.HK	6.38	0.0	4,297	23.4	17.7	14.2	1.7	3.5	7	(4)	7	07-Mar-08	4
China Green	0904.HK	8.51	26.4	4,056	19.2	17.8	14.7	1.6	1.8	1	2	1	07-Mar-08	4
ICBC	1398.HK	5.88	2,524.8	584,692	22.1	13.6	11.3	4.0	4.7	15	5	15	07-Mar-08	9
CNOOC	0883.HK	12.22	1,894.7	153,546	15.4	12.5	12.3	2.5	2.6	0	(8)	4	01-Feb-08	3
China Overseas Land	0688.HK	15.40	587.4	57,959	23.5	17.7	12.7	1.0	1.4	16	(4)	4	01-Feb-08	2
Anta Sports Products	2020.HK	8.27	47.0	5,148	44.3	24.4	17.3	1.2	1.7	0	(24)	(26)	04-Jan-08	5
Shanghai Jinjiang Hotel	2006.HK	2.35	37.9	3,842	34.6	23.3	18.5	1.9	2.3	(16)	(27)	(36)	04-Jan-08	6
Xiwang Sugar	2088.HK	3.15	6.5	972	6.5	4.9	3.9	5.4	7.2	(3)	(6)	3	07-Dec-07	6
Xinjiang Xinmin Mining	3833.HK	5.63	10.0	3,882	13.7	15.4	11.5	1.6	2.2	(12)	(36)	(43)	07-Dec-07	3
Sino-Ocean Land	3377.HK	8.10	119.7	3,481	19.0	17.3	11.6	2.3	3.4	13	(16)	(44)	02-Nov-07	5
China Agri-Industries	0606.HK	4.84	648.0	7,363	14.6	11.5	10.0	1.6	1.8	(6)	(7)	1	07-Sep-07	3
China Everbright	0165.HK	15.66	246.8	11,242	5.0	10.5	11.0	1.0	0.9	(4)	(37)	(35)	07-Sep-07	5
Guangzhou Shipyard	0317.HK	23.65	54.0	3,725	12.2	8.2	7.0	2.5	4.7	(13)	(46)	(41)	01-Jun-07	5
Beijing Enterprise	0392.HK	32.70	70.0	9,803	116.8	18.2	14.5	1.2	1.2	10	(12)	31	01-Jun-07	3
Tong Ren Tang Tech	8069.HK	10.68	3.5	934	10.0	8.7	7.2	4.6	5.5	(15)	(26)	(30)	30-Apr-07	3
Kunming Machine	0300.HK	6.49	6.1	487	11.4	7.9	6.2	5.6	7.4	(23)	(40)	8	5-Jan-07	5
China Life	2628.HK	29.60	4,107.4	217,527	19.3	19.6	18.6	2.9	3.1	4	(27)	107	8-Sep-06	10
CR Power	0836.HK	17.32	190.1	28,097	19.7	19.9	16.3	1.6	1.7	5	(36)	378	7-Jan-04	8
Cash (incl. dividends)														4
Total														100
Stocks Removed or Reduced from the BOCI China-HK Recommended List														
Yanzhou Coal	1171.HK	11.68	329.2	22,977	16.2	11.4	8.8	2.4	2.6	3	(24)	(2)	01-Jun-07	3
Mintn Group	0425.HK	7.80	6.7	4,169	17.0	12.8	9.2	0.8	1.3	(4)	(32)	(30)	05-Oct-07	2

Note: Bolded stocks are new additions to the recommended list.

Sources: Bloomberg, BOCI Research estimates

Hong Kong Strategy

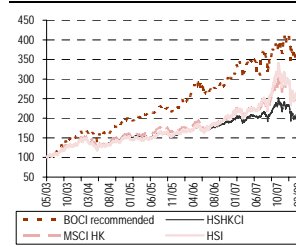
Performance Comparison

	% Change	Since
	1M	YTD
	Incept*	
BOCI recommended	5	(11)
MSCI HK	2	(16)
HSHKCI	7	(11)
HSI	8	(13)

* Inception May 2003.

Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI HK-HK Recommended Stocks

RIC	Last price (HK\$)	3M avg. daily T/O (HK\$ m)	Free float mkt cap (HK\$ m)	P/E (x)	Yield (%)	% Chg. 1M	% Chg. YTD	Date rec.	Wgt (%)					
Dah Sing Financial	0440.HK	55.20	20.6	4,970	13.1	8.9	7.5	4.0	4.8	6	(28)	0	3-Apr-08	6
New World Dev.	0017.HK	20.20	358.9	47,730	17.5	13.0	15.9	2.1	2.7	6	(27)	0	3-Apr-08	3
Wing Lung Bank	0096.HK	131.00	45.5	11,549	22.2	20.6	17.3	2.4	2.9	56	37	56	7-Mar-08	5
HKEEx	0388.HK	148.50	2,362.9	149,380	25.8	23.6	21.7	4.2	4.6	9	(33)	9	7-Mar-08	8
Lifestyle	1212.HK	18.20	48.1	9,901	30.3	26.4	23.3	1.5	1.7	(4)	(13)	(7)	1-Feb-08	3
Clear Media	0100.HK	7.00	0.7	1,827	25.9	16.5	19.9	0.0	0.0	5	(14)	8	1-Feb-08	6
Ports Design	0589.HK	23.05	33.2	7,855	29.7	23.1	17.4	2.7	3.6	6	(15)	(18)	4-Jan-08	5
MTR Corporation	0066.HK	27.25	533.0	34,358	10.1	18.5	15.8	1.9	2.1	(3)	(5)	(15)	4-Jan-08	4
Sun Hung Kai Properties	0016.HK	133.20	1,845.7	187,875	15.6	16.0	20.7	1.8	2.2	6	(20)	(14)	7-Dec-07	13
Sino Land	0083.HK	18.90	351.1	43,346	13.9	15.1	18.6	2.1	2.2	1	(32)	(25)	7-Dec-07	6
GZI REIT	0405.HK	3.07	4.5	2,118	14.0	14.0	12.8	7.2	7.8	2	(0)	(3)	5-Oct-07	10
Next media	0282.HK	3.08	4.3	1,932	21.5	16.3	14.1	4.5	5.2	3	11	15	29-Jun-07	7
Embry Form	1388.HK	4.00	2.3	403	15.4	11.8	9.5	4.3	5.3	(22)	(35)	(47)	1-Jun-07	2
Standard Chartered Bank	2888.HK	280.20	41.6	394,390	18.1	17.3	14.0	2.5	3.1	11	(3)	29	9-Mar-07	8
HK & China Gas	0003.HK	23.15	219.2	76,395	13.9	26.6	24.6	1.5	1.5	6	(3)	133	23-May-03	6
Cash (incl. dividends)														7
Total														100
Stocks Removed or Reduced from the BOCI HK-HK Recommended List														
Champion REIT	2778.HK	4.05	15.6	3,959	3.6	27.0	25.3	8.4	7.7	(2)	(11)	(4)	9-Feb-07	3
Bank of East Asia	0023.HK	41.65	347.6	54,885	15.8	16.0	13.1	4.2	4.8	0	(22)	(9)	1-Jun-07	6

Note: Bolded stocks are new additions to the recommended list.

Sources: Bloomberg, BOCI Research

China – A Strategy

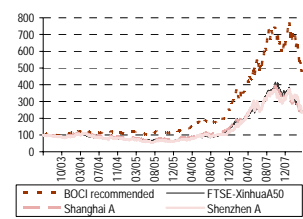
Performance Comparison

	% Change 1M	Since YTD	Since Incept. *
BOCI recommended	(24)	(31)	390
Shanghai A	(20)	(35)	126
Shenzhen A	(27)	(31)	138
FTSE-XinhuaA50	(15)	(32)	145

* Inception May 2003

Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI China-A Recommended Stocks

	RIC	Last price	3M avg. daily	Free float T/O	Free float mkt cap	P/E (x)	Yield (%)	% Chg. YTD	Since rec.	Date rec.	Wgt. (%)			
		(Rmb)	(Rmb m)	(Rmb m)	(Rmb m)			1M						
Chengdu People's Department Store	600828.SS	20.92	16.7	1,500	45.5	32.2	25.2	0.9	1.2	(22)	2	0	3-Apr-08	5
Qinghai Salt Lake Potash	000792.SS	83.44	254.3	32,618	64.7	28.1	23.2	1.6	1.7	(41)	13	0	3-Apr-08	5
Yantai Wanhua	600309.SS	30.89	202.3	25,428	34.7	22.8	17.4	1.6	1.9	(22)	(16)	(22)	7-Mar-08	6
Dongfang Electric	600857.SS	43.85	82.1	3,335	18.0	14.1	12.4	1.8	1.9	(64)	(46)	(48)	7-Mar-08	2
China Vanke	000002.SZ	24.80	1,974.6	150,135	34.9	20.5	14.7	1.0	1.4	6	(10)	(8)	1-Feb-08	2
Bank of Beijing	601169.SS	14.79	366.4	12,894	24.2	17.6	14.2	2.3	2.8	(9)	(25)	(16)	1-Feb-08	3
Sichuan Swellfun	600779.SS	24.28	220.6	7,128	59.2	28.6	18.0	0.3	0.4	(12)	(5)	(14)	4-Jan-08	9
Shanghai Jinjiang Dev.	600754.SS	14.55	47.2	2,720	36.4	31.6	27.5	2.2	2.5	(29)	(24)	(32)	4-Jan-08	4
Long Yuan Construction	600491.SS	12.16	75.3	2,919	23.6	17.2	12.5	1.1	1.4	(32)	(6)	9	02-Dec-07	7
Wangfujing Dept Store	600859.SS	36.39	119.6	7,208	59.7	36.0	26.6	0.8	1.1	(20)	(25)	(19)	02-Dec-07	2
Shandong Gold Mining	600547.SS	119.98	209.3	9,397	99.2	19.8	19.0	3.0	3.2	(43)	(24)	(29)	02-Nov-07	6
Pingdingshan Tian'an Coal	601666.SS	40.59	319.8	12,218	35.3	24.3	20.2	1.6	1.9	(5)	(8)	13	07-Sep-07	11
Zhenhua Port Machinery	600320.SS	15.49	296.1	16,709	21.4	16.9	13.7	1.7	2.1	(19)	(39)	(33)	09-Aug-07	5
Sanyi Heavy	600031.SS	35.33	231.2	15,771	20.7	15.6	11.5	1.3	1.7	(30)	(34)	(2)	29-Jun-07	2
China State Shipbuilding	600150.SS	131.92	264.7	13,408	30.1	14.6	9.6	2.0	3.1	(22)	(44)	18	01-Jun-07	8
ICBC	601398.SS	6.36	1,100.1	95,171	26.5	16.3	13.8	3.3	3.9	0	(21)	33	9-Feb-07	3
Qingdao Haier	600690.SS	15.30	224.4	10,069	30.6	17.6	14.4	1.7	2.1	(35)	(39)	242	8-Sep-06	6
Anhui HELI	600761.SS	18.96	127.0	3,384	21.1	16.9	12.9	1.8	2.3	(35)	(44)	261	9-Dec-05	3
Kweichow Moutai	600519.SS	178.01	369.7	72,579	58.4	39.9	28.8	0.9	1.3	(16)	(20)	1,122	20-Jun-03	9
Cash (incl. dividends)														3
Total														100
Stocks Removed or Reduced from the BOCI China-A Recommended List														
Shenzhen Overseas	000069.SZ	36.70	283.2	21,200	64.4	39.0	24.6	0.8	1.2	(13)	(24)	437	3-Dec-04	7
Citic Guoan	000839.SZ	25.94	357.1	11,331	44.8	31.9	16.3	0.6	0.8	(38)	(17)	(7)	29-Jun-07	3

Note: Bolded stocks are new additions to the recommended list.

Sources: Bloomberg, BOCI Research

Huaqiao in the Middle Kingdom

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China Economy

- In his March annual press conference, Premier Wen Jiabao firstly admitted publicly that "curing inflation is not only a major concern for the common people, but also a priority for the government". The conference was held just after the announcement of his re-election as the premier and naming of the new cabinet. He also stated that 2008 was likely be a very difficult period for China's economy. The most challenging problem is inflation, while the underlying risk is possible fluctuations in the economic growth. According to Mr Wen, the government will have to balance economic growth and inflationary pressure. He admitted that the 4.8% CPI growth target itself might be difficult to attain. This admission indicated that fighting inflation would take precedence even at the expense of slower economic growth.
- For the Chinese People and the Government, 1Q08 was a difficult period. Besides the high inflation in the first several months of 2008, China reported the most serious snowstorms ever in the south, while social stability came under attack in Tibet. Meanwhile, economic indicators continued to disappoint. The growth of industrial profits slowed to 16.5% YoY in 2M 08 from 36% YoY in full-year 2007. Meanwhile, the trade surplus narrowed to US\$28.05bn in 2M08 from US\$39.4bn in 2M07, a drop of 28% YoY with declining trend likely to continue in the future. As a reflection of this bad news, the Shanghai composite index was down 34% as at end-March 2008, the largest quarterly decline since 1996 and the biggest faller among the global stock markets in 1Q08.
- The market expected the government to ease China's monetary policy to rescue the country's vulnerable stock markets. However, it has been proven that concerns about inflation have become a priority above all else. Although the People's Bank of China (PBOC) has not raised the interest rates so far in 2008, the required reserve ratio (RRR) has been increased twice to 15.5% in 1Q08, while the quarterly control of loan has been intensifying. The most notable issue is that the appreciation of renminbi has accelerated; which is definitely part of the tightening monetary policy. The renminbi had appreciated by 3.9% as of 3 April 2008 from the level at end-2007, which is more than 15% the annualised rate. The Chinese currency appreciated by 6.4% YoY against the US dollar in 2007, while it up 15.2% as of 3 April 2008 from the level on 21 July 2005. We believe that there is no signal from the monetary authorities that the current tightening policy is going to be loosened anytime soon.
- There has been some evidence to suggest that the government has accepted the opinion that the current inflation is cost-push related and fiscal policy will be the most effective way to control it. Having said that, the government has rapidly announced a new package to increase subsidies for the production of agricultural goods with direct cash allowances to the farmers. Some other information also suggests that the government is preparing to increase further its fiscal expenditure to subsidise corporations incurring losses loss due to price caps.
- Currently, the government understands that curing inflation will come at the cost of relatively low GDP growth. However, the real risk is a slowdown of GDP growth amid calls for a strong fiscal stimulus, including encouraging the unbridled infrastructure investment. We are worried that the overwhelming emphasis on fixed asset investment (FAI) will eventually lead to even higher inflation.

Huaqiao in the Middle Kingdom

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China Monthly Economic Indicators (2006-2008)

	2006	2007	2008E	Mar07	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan08	Feb
Real economy (% YoY)															
GDP*	11.1	11.4	10	11.1	-	-	11.9	-	-	11.5	-	-	11.2		
VAIO (Real)	16.5	18.5		17.6	17.4	18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4
-Light industry	17.0	19.6		18.3	18.3	18.9	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.5	16.9
-Heavy industry	15.3	16.3		16	15.4	16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.6	11.8
Industrial sales ratio (%)	97.5	98.1		97.81	98.40	98.00	97.63	98.42	98.52	98.24	98.3	98.06	98.1	-	97.5
FAI* (% YoY)	27.5	25.8	26	25.3	25.5	25.9	29.7	26.6	26.7	26.4	26.9	26.8	25.8	-	24.27
- Property	26	30.2		26.9	27.4	27.5	35.5	28.9	29.0	30.3	31.4	31.8		-	32.9
Retail sales*	13.5	16.8	18.5	15.3	15.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	-	20.2
External sector															
Exports (US\$ bn)	969.1	1218	1386	83.43	97.45	94.05	103.27	107.74	111.36	112.48	107.72	117.62	114	109.7	87.37
Export growth (% YoY)	27.2	25.7	13.8	6.9	26.8	28.7	27.01	34.11	22.69	22.8	22.23	22.7	21.6	26.7	16.8
Imports (US\$ bn)	791.6	956	1099	76.56	80.57	71.6	76.36	83.39	86.38	88.57	80.67	91.34	91.7	90.2	78.81
Import growth (% YoY)	20.0	20.8	15	14.5	21.3	19.1	14.3	26.87	20.02	16.1	25.46	25.25	25.5	27.6	30.9
Trade balance (US\$ bn)	177.5	262	287	6.87	16.88	22.45	26.91	24.36	24.98	23.91	27.05	26.3	22.7	19.5	8.56
FDI* (US\$ bn)	63.0	74.8	62	6.18	4.47	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.928
Money supply (% YoY)															
M0	12.65	12.1	13.5	16.68	15.1	13.91	14.54	15.05	15.04	13.01	13.43	13.56	12.05	31.21	5.96
M1	17.48	21	17.7	19.81	20.0	19.28	20.92	20.94	22.77	22.07	22.21	21.67	21.01	20.72	19.2
M2	16.94	16.7	15.5	17.27	17.1	16.74	17.06	18.48	18.09	18.45	18.47	18.45	16.72	18.94	17.48
Deposit rate, 12M (%)	2.25	4.14	4.85	2.79	2.79	3.06	3.33	3.6	3.87	3.87	3.87	4.14	4.14	4.14	4.14
Lending rate, 12M (%)	6.12	7.47	8.01	6.39	6.39	6.57	6.84	7.02	7.29	7.29	7.29	7.47	7.47	7.47	7.47
FX reserves* (US\$ bn)	1,066.3	1,530	1,907.9	1,202.0	1,246.6	1,292.7	1,332.6	1,385.2	1,408.6	1,433.6	1,455	1,497	1,528.2	1,590	1,647
Inflation (% YoY)															
National CPI	1.5	4.8	4.9	3.3	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7

*Periodical; no single month data released by NBS
Sources: NBS, MÖFTEC, PBOC and BOCI Research

Value Added Industrial Output (VAIO)

	2007												2008		
% YoY	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Jan	Feb
VAIO	18.5	17.6	17.4	18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4		
Heavy industry	20.0	18.3	18.3	18.9	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.5	16.9		
Light Industry	15.2	16.0	15.4	16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.6	11.8		

Source: NBS

According to the National Bureau of Statistics (NBS), China's value-added industrial output (VAIO) grew 15.4% YoY in 2M08, down sharply from 17.4% YoY in December 2007 and 18.5% YoY in 12M07. Meanwhile, growth in the delivery value of exports dropped to the unusually low level of 14.8% YoY in 2M08, from 18.3% YoY in December 2007 and 23% YoY in full-year 2007.

Breaking down the sectors, the VAIO of textiles rose 11.6% YoY in 2M08, down from 12.5% YoY in December 2007 and 16.2% YoY in 12M07. Meanwhile, output of raw chemical materials and smelting of ferrous metals edged up 13.3% YoY and 14% YoY in 2M08, 7.7ppts and 7ppts lower than the increases of 21.0 % YoY and 21.4% YoY, respectively, in 12M07. In the machinery and equipment sector, the VAIO of ordinary machinery climbed 21.9% YoY, that of transport equipment rose 18.8% YoY, and that of electronic and communication equipment went up 14.5% YoY, down sharply from the corresponding increases of 24.2% YoY, 26.2% YoY and 18% YoY in 12M07.

The steep decline in VAIO growth was mainly due to the government's macro-controls over the overheating economy, a slowdown of the global economy, as well as the snowstorms and seasonal effect in February. As the effect of domestic macro-controls and external downside risk intensify, VAIO growth is likely to decelerate further in the near future.

Industrial Profits

	2006					2007					2008	
YTD %	Aug	Sep	Oct	Nov	Dec	Jan-Feb	May	Aug	Nov	Jan-Feb	Jan-Feb	Jan-Feb
Total industrial profit (Rmb bn)	1,303.9	1,490.3	1,671.3	1,861.6	2,090.9	293.2	902.6	1,562.3	2,295.1	348.2		
Total industrial losses (Rmb bn)	29.1	29.6	30.1	30.7	31	43.8	42.1	37	36.7	16.5		
Net profit (Rmb bn)	19.7	20.1	22	23.9	27	49.3	42.3	31	29.6	(5.6)		
Change (%)	23.4	23.3	23.1	22.3	23.1	24.9	24.9	24.4	25.3	24.8		
Net profit at SOEs	19.5	19.7	20.1	19.3	19.4	18.9	18.8	19.5	18.8	18.8		
Tax payments	1,303.9	1,490.3	1,671.3	1,861.6	2,090.9	293.2	902.6	1,562.3	2,295.1	348.2		
Receivables	29.1	29.6	30.1	30.7	31	43.8	42.1	37	36.7	16.5		

Source: NBS

According to the NBS, China's industrial profits rose only 16.5% YoY in 2M08, down from 36.7% YoY in 11M07. This was much lower than the increases of 43.8% YoY in 2M07 and 21.8% YoY in 2M06. Meanwhile, profits of State-Owned Enterprises (SOEs) dropped 5.6% YoY in 2M08, compared to the increases of 29.6% YoY in 11M07 and 31.01% YoY in 8M07. Receivables and revenues registered steady growths of 17.2% YoY and 27.4% YoY in 2M08, down from 18.8% YoY and 27.6% YoY in 11M07, respectively.

Due to government price controls, as well to hikes in input costs, electricity production profits decreased 61% YoY in 2M08, as opposed to the increases of 39% YoY in 11M07 and 66.7% in 2M07. Meanwhile, the petroleum and natural gas sector suffered a loss of Rmb20.6bn in 2M08, versus earnings of Rmb15.6bn in 2M07. In addition to the impact of cost increases, many industries felt the repercussions of the government's macro-economic controls and curbs on exports. Profit growth of the steel sector decelerated to 12.2% YoY in 2M08 from 47.2% YoY in 11M07 and 58.9% YoY in 8M07. At the same time, profits of smelting and pressing of non-ferrous metals and chemical products rose 15.9% YoY and 1.6% YoY, respectively, in 2M08, a large drop from 51.5% YoY and 26.6% YoY in 11M07. For transport equipment, profit growth decelerated to 42.6% YoY in 2M08, from 68.7% YoY in 11M07 and 68.4% YoY in 2M07. However, profits in the electronic and communication equipment sector surged 37.7% YoY, 21.4ppts higher than in 11M07. The large jump in both international and domestic prices of mineral products increased the profits of the mining sector. In 2M08, industrial profits of coal mining grew 66.8% YoY, up from 49.1% YoY in 11M07 and 57.3% YoY in 2M07. Meanwhile, profits in oil drilling picked up 61.2% YoY, compared to a decrease of 7.6% YoY in 11M07.

Fixed Asset Investments (FAI)

% YTD	2006			2007											
	Oct	Nov	Dec	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Total FAI	-	-	24	-	23.7	-	-	27.8	-	-	25.7			24.8	
Urban FAI	26.8	26.6	24.5	23.4	25.3	25.5	26.7	27.5	26.6	26.7	26.4	26.9	26.8	25.8	
Urban FAI / Total FAI, %	-	-	85.1	-	83.0	-	-	85	-	-	85.5			85.6	
- Primary Industry	34.9	36.8	30.7	24.8	20.3	29.2	35.8	37.5	46.2	42.9	41.1	39.9	37.6	31.1	
- Secondary Industry	27.6	26.9	25.9	21.0	27.0	27.4	28.9	29.0	28.9	29.5	29.3	29.6	29.7	29	
- Tertiary Industry	26.0	26.2	23.3	25.1	24.0	23.5	24.6	24.5	24.3	24.0	24.7	24.4	24.4	23.2	
- Property	24.1	24	21.8	24.3	26.9	27.4	27.5	31.3	28.9	29.0	30.3	31.4	31.8	30.2	

Source: NBS

Urban FAI in China grew 24.3% YoY in 2M08, down from 25.8% YoY in 12M07, according to the NBS, but still 0.9ppt higher than the rise of 23.4% YoY in 2M07. The slight drop in FAI growth was mainly due to the government's macro controls, as well as the seasonal effect. The urban FAI usually grows slower in winter (from December to January), probably because of the cold weather and the Lunar New Year.

NBS data showed that FAI in the primary industry jumped 77% YoY in 2M08 from 31.1% YoY in 12M07 and 24.85% YoY in 2M07. The acceleration of FAI in the agricultural sector was mainly due to reconstruction work after the snowstorms in South China and the government's support for agricultural production. For the secondary and tertiary industries, FAI growth decelerated to 26.1% YoY and 22.6% YoY in 2M08, from 29% and 23.2% YoY in 12M08, respectively. Breaking down by industry, the FAI in coal mining grew 31.1% YoY in 2M08 from 23.7% YoY in 12M07 and 2.3% YoY in 2M07, mainly because of hikes in the price of coal and a low base last year. Meanwhile, growth of FAI in smelting and pressing of ferrous metals rebounded to 30% YoY from 12.2% YoY in 12M07, and FAI growth of nonferrous metals accelerated to 68.1% YoY from 34.9% YoY in 12M07. However, due to the seasonal effect, FAI in electricity and heating production decreased 3.7% YoY in 2M08, compared to an increase of 8.7% YoY in 12M07. At the same time, growth of FAI in railway transport slowed to 11.5% YoY in 2M08 from 20.2% YoY in 12M07. For the property sector, FAI grew 32.9% YoY in 2M08, 0.7ppt and 5.9ppts higher than increases of 32.2% YoY and 27% YoY in 12M07 and 2M07, respectively. In our estimation, the growth of investments in the property sector was responsible for 8ppts of the 24.3% increase of total urban FAI. We expect the FAI to maintain strong growth in the coming months, yet probably at a relatively slower pace.

Retail Sales

% YoY	2007												2008	
	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Jan-Feb	
Retail sales	14.7	15.3	15.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	20.2	20.2	
Urban	15.3	15.8	16.0	16.3	16.5	16.7	17.6	17.5	18.6	19.2	20.5	20.8		
Rural	13.4	14.8	14.6	15.0	14.2	15.8	16.1	16.09	17.1	18.0	19.6	18.9		
Cars	48.1	-	38.6	34.2	33.0	42.7	42.3	38.1	36.1	35.0	31.4	33.8		

Source: NBS

According to data from the NBS, China's retail sales grew 20.2% YoY in 2M08, on par with the rise in December 2007. For urban and rural areas, sales rose 20.8% YoY and 18.9% YoY in 2M08, versus the increases of 20.5% YoY and 19.6% YoY in December, respectively. The pick-up of retail sales in recent months was mainly due to an inflationary effect. The real-term growth of retail sales was 12.3% YoY in 2M08, down from 13.7% YoY in December 2007.

Breaking down the segments, retail sales of grain and oil grew 41.2% YoY in 2M08, a large rise from 33% YoY last December. Meanwhile, sales of meat, poultry and eggs surged 31.5% YoY, that of petroleum and related products jumped 40.3% YoY, and that of gold, silver and jewellery climbed 46.8% YoY in 2M08, versus the corresponding increases of 36.5% YoY, 34% YoY and 49.7% YoY, respectively, in December 2007. For retail prices, the above three items have seen a large jump in prices in the past several months. For other items, sales of clothing, shoes, hats & textiles increased 24% in 2M08 and automobile sales rose 33.8% YoY, up from 22.2% YoY and 31.4% YoY in December 2007. At the same time, growths in retail sales of daily-use goods, communication devices, furniture, and household electric & video appliances decelerated to 21.1% YoY, 5.3% YoY, 25.9% YoY and 18.8% YoY in 2M08, respectively, from 27.8% YoY, 13% YoY, 59.5% YoY and 37.5% YoY in December 2007.

Foreign Trade

% YoY	2007												2008	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Export	33.0	51.7	6.9	26.8	28.7	27.0	34.2	22.7	22.8	22.2	22.8	21.6	26.7	16.8
Import	27.5	13.1	14.5	21.3	19.1	14.3	26.9	20.1	16.1	25.5	25.3	25.5	27.6	30.9
Trade balance (US\$ bn)	15.58	23.8	6.87	16.9	22.5	26.9	24.4	24.98	23.9	27.1	26.28	22.7	19.5	8.56

Source: NBS

According to the State Administration of Customs (SAC), China's exports grew 6.5% YoY in February, a steep decline from 26.7% YoY in January, while imports jumped 35.1% YoY, 7.5ppts higher than in the preceding month. Since last October, growth of imports has outpaced that of exports, and the trade surplus has continued to decline. In February, China's trade surplus narrowed to US\$8.56bn from US\$19.49bn in January.

Breaking down sectors, garment and footwear exports grew 5.7% YoY and 3.5% YoY, respectively, in 2M08, their lowest growth rates since 2002. At the same time, exports of semi-finished steel products dropped 89.2% YoY in 08M2, versus a decrease of 63.7% YoY in December 2007. Due to the government's restrictions on grain exports, that of maize declined 94.4% YoY in 08M2, compared to the increase of 104.9% YoY in 2007. Meanwhile, exports of hi-tech products rose 18.2% YoY in 2M08, down slightly from 19.5% YoY the previous month, while electric machinery exports climbed 20.5% YoY in 2M08, 7ppts lower than in January.

According to the SAC, imports of primary products surged 71.7% YoY in 2M08, up from 61.8% YoY in January 2008. Specifically, soybean imports jumped 51.4% YoY in 2M08, 9.9ppts higher than the 41.5% YoY growth in January. As for iron ore, import growth accelerated from 2.7% YoY in January to 216.2% YoY in 2M08. Meanwhile, imports of crude oil surged from 1.8% YoY in January 2008 to 9.5% YoY in 2M08. We note that the high growth rate of imports is partially due to the rising prices of raw materials.

The large drop in the growth of exports in February was partly due to seasonal effects. Historical data shows that exports and imports usually see the most fluctuations in the first quarter. One reason is the lag in statistics from December, and another is the delayed delivery of exports due to the Lunar New Year break. However, we are concerned the downtrend of exports may also reflect the sluggish growth of US consumption.

Foreign Direct Investment (FDI)

% YoY	2007											2008	
	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Actual FDI	13.04	9.32	5.4	8.65	21.9	17.8	11.87	(2.36)	13.18	35.04	50.5	109.8	38.31
US\$ bn	9.709	6.18	4.47	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93

Source: NBS

According to the Ministry of Commerce (MOC), China's actual Foreign Direct Investment (FDI) grew 38.31% YoY in February, down from 109.8% YoY in January and 50.5% YoY in December 2007. The utilised FDI was US\$6.93bn in February 2008, versus US\$11.2 bn in January 2008 and US\$13.1bn in December 2007.

Due to the decline of growth in the processing export, China's FDI fell temporarily in 1H07. However, the FDI growth rebounded at the end of 2007, reflecting the high pressure of the renminbi's appreciation. Inflation is likely to pick up in 1H08, and the market expects the renminbi to appreciate faster. Partly because of the speculative capital flow as well as the seasonal effect, the FDI figures saw a large fluctuation in the first two months of 2008. We maintain our view that the FDI will grow steadily in 2008.

Consumer Price Index

% YoY	2007											2008	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
CPI	2.7	3.3	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.90	6.50	7.1	8.7
- Food	6.0	7.7	7.1	7.7	11.3	15.4	18.2	16.9	17.6	18.2	16.7	18.2	23.3
- Clothing	0.2	(0.2)	(0.2)	(0.1)	(0.30)	(0.6)	(0.9)	(1.0)	(1.3)	(1.4)	(1.7)	(1.9)	(1.4)
- Trans. & comm.	(0.4)	0.1	(0.2)	(0.5)	(1.1)	(1.3)	(1.3)	(1.4)	(1.7)	(1.4)	(1.4)	(1.1)	(1.4)
- Residences	3.7	4.0	4.2	4.0	4.4	4.4	4.3	4.2	4.8	6.0	5.9	6.1	6.6
- Medical segment	1.4	1.4	1.5	1.6	1.9	2.2	2.3	2.6	2.9	3.1	3.2	3.2	3.2

Source: NBS

According to the NBS, China's Consumer Price Index (CPI) grew 8.7% YoY in February, up sharply from 7.1% YoY in January. In February, prices of food jumped 23.3% YoY, 5.1ppts higher than 18.2% YoY in the preceding month. Specifically, the price of grain rose 6% YoY last month, from 5.7% YoY in January. Meanwhile, prices of oil and fat leapt 41% YoY, that of pork jumped 63.4% YoY, and that of vegetables surged 46% YoY, up from 37.1% YoY, 58.8% YoY and 13.7% YoY, respectively, in January. Due to the substitution effect, prices of beef and milk also saw a large leap in recent months. In our estimation, prices of beef and milk increased 50.9% YoY and 16.4% YoY in February, versus 44.2% YoY and 12.8% YoY in January. Our calculations tell us that the average increase in price of food accounted for about 7.7ppts of the 8.7% YoY jump in the February CPI. As food prices picked up, non-food items saw similar upward pressure. Prices of non-food products rose 1.6% YoY in February, up slightly from 1.5% YoY in January. Due to hikes of fuel price and labour cost since the past year, prices of related products and services increased in recent months. In February, the price of building materials rose 5.9% YoY, while that of water, electricity and fuel edged up 6.5% YoY, up from 5.7% YoY and 5.5% YoY, respectively, in January. The price of services grew 2% YoY in February, while that of household services jumped 8.5% YoY, versus the corresponding increase of 2.6% YoY and 10.7% YoY in January. The CPI surge was mainly due to hikes in food prices. According to officials, the snowstorms influence and the seasonal effect were responsible for 40% and 21%, respectively, of the 2.56% MoM growth of the CPI in February.

Inflation / Deflation

% YoY	2007											2008	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
EFPI	2.6	2.7	2.9	2.8	2.5	2.4	2.6	2.7	3.2	4.6	5.4	6.1	6.6
PPI	4.0	3.7	3.7	3.6	2.5	3.6	3.8	3.6	4.5	6.3	8.1	8.9	9.7
CPI	2.7	3.3	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7
Crude oil	(7.7)	(9.6)	(4.3)	(3.9)	(6.6)	(5.1)	(2.2)	(3.9)	4.2	22.6	34.6	29.9	37.5

Source: NBS

According to the NBS, China's Ex-factory Price Index (EFPI) for manufactured goods grew 6.6% YoY in February, up from the increases of 6.1% YoY in January and 5.4% YoY last December. Meanwhile, the Producer Price Index (PPI) for raw materials, fuels and power jumped to 9.7% YoY, 0.8ppt higher than 8.9% YoY in the preceding month. Breaking down the sectors, most items saw pick-ups in prices. The EFPI for crude oil soared to 37.5% YoY in February from 29.9% YoY in January. The EFPI for the coal-mining sector rose 18.5% YoY, 4.2ppts higher than the rise of 14.3% YoY in January, while that for crude coal rose 19.4% YoY from 14.9% YoY in the preceding month. Meanwhile, the EFPI for smelting and pressing of ferrous metals increased 17.9% YoY in February, up from rise of 17.3% YoY in January. The pick-up of prices for ferrous metals was mainly due to the large leap of international prices of iron ores recently. For nonferrous metals, the EFPI climbed 6.6% YoY in February, compared to the increase of 4.7% YoY in January. The acceleration of EFPI growth in February was partly due to the hikes of international mineral products, as well as the snowstorms that hit South China during the month. The depreciation of the US dollar of late has pushed up prices of many mineral products, while the domestic snowstorms in February disrupted transportation and aggravated the shortage of some input materials, such as coal, oil and electricity. We expect the EFPI and PPI to maintain their uptrend in the short term. It is obvious that the high EFPI growth will increase pressure for the CPI to surge in the future.

Monetary Performance

% YoY	2007											2008	
	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb
M0	25.1	16.7	15.1	13.9	14.5	14.5	15.0	13.0	13.0	13.6	12.1	31.21	5.96
M1	21.0	19.8	20.0	19.3	20.9	20.9	22.8	22.1	22.1	21.7	21.0	20.72	19.2
M2	17.8	17.3	17.1	16.7	17.1	17.1	18.1	18.5	18.5	18.5	16.72	18.94	17.48
Loan / deposit	68.1	68.1	69.3	68.4	69.3	69.3	67.9	67.6	67.6	67.8	67.2	68.9	67.2
M1/M2, %	35.1	35.1	36.7	35.2	36.0	36.0	36.4	36.3	36.3	37.1	37.8	37.1	35.7

Source: NBS

According to the PBOC, renminbi lending grew 15.73% YoY in February, down from 16.74% YoY in January, and 0.4ppts lower than the 16.1% YoY growth recorded in 2007. Meanwhile, incremental loans in February amounted to Rmb243.4bn, much lower than the Rmb803.6bn in January and Rmb413.8bn in February 2007. Mostly due to the strict administrative measures, incremental lending was mitigated at the end of 2007. However, it quickly rebounded in January 2008 owing to an adjustment as well to commercial banks' preference to exhaust their loan quota at the beginning of the year. Therefore, the deceleration of lending growth in February is in part due to the Central Bank's tight monetary policy and partially a result of a natural setback after the very high increase in January 2008. The mitigation of lending growth also curtailed monetary supply growth. In February, the M0 rose 5.96% YoY, down from 31.2% YoY in January. This is mainly due to the Lunar New Year factor. For M1 and M2, growths decelerated to 19.2% YoY and 17.5% YoY in February, from 20.7% YoY and 18.9% YoY, respectively, in January. Rapid loan growth at the corporate level sustained the high increase in corporate deposits. Corporate, household and total renminbi deposits grew 24.4% YoY, 7.64% YoY and 17.2% YoY, respectively, in February, versus the corresponding increases of 20.47% YoY, 7.67% YoY and 15.12% YoY in January. The rebound of household deposits in the past two months has been mainly due to the correction of the stock market as well as the accumulated effect of interest rate hikes. The Lunar New Year holiday was another reason. It is obvious that corporate and fiscal deposits were still the main drivers of total deposits growth.

Policy Highlights

- **Government unveils restructuring plan.** The 11th National People's Congress (NPC) passed China's long-anticipated ministry-restructuring programme at its fourth session on 11 March 2008. According to the General Secretary of the State Council, Hua Jianmin, several new ministries will be established on a merger of existing ministries. The newly formed departments include the Ministry of Industry and Information, the Ministry of Transportation, the Ministry of Human Resources and Social Security and the Ministry of Housing and Construction. Meanwhile, China will set up a National Energy Commission to plan the national energy strategy and examine the key points of national energy security and development. At the same time, the State Environmental Protection Administration will be elevated to a full ministry of the state cabinet, and China's State Food and Drug Administration will be put under the Ministry of Health as part of a cabinet restructuring.
- **11th NPC approves new cabinet.** The 11th NPC approved the nominations of new vice premiers, state councillors and ministers in the State Council at its seventh plenary meeting of the first session on 17 March. The newly appointed vice premiers are Li Keqiang, Hui Liangyu, Zhang Dejiang and Wang Qishan. Liu Yandong, Liang Guanglie, Ma Kai, Meng Jianzhu and Dai Bingguo are now state councillors and Ma Kai also assumes the role of secretary-general in the cabinet. Besides, there are a total of 28 ministries in the cabinet, 11 of which will be led by new ministers, including heads of the five "super" ministries. According to the mainland media, Li Keqiang will be in charge of reform and development, pricing, public finance, statistics and other important areas of the macro economy. Hui Liangyu will be responsible for agriculture and government work on nationality and religion. Zhang Dejiang's work will be focus on industry, telecom, energy and transportation, while Wang Qishan will be mainly in charge of trade and finance.
- **New State Council issued work points for 2008.** The State Council issued its work points for 2008 on 1 April 2008. According to the official statement, the government will give dealing with inflation a high priority and, at the same time, avoid possible fluctuations in growth of the economy. The authorities will continue a stable fiscal policy and tight monetary policy. To curb the rise of inflation, the government will encourage market supply, control unreasonable demand expansion, as well as restrict exports of grain, chemical fertiliser and coal. In 2008, the government will make more efforts to increase incomes of rural households and encourage development of the agricultural sector. At the same time, structural transition of the economy, energy saving, environmental protection and social development will be other key working areas on which the government will pay attention.

- **PBOC raises RRR to 15.5%.** The PBOC announced that the required reserve ratio (RRR) of commercial banks on the mainland would go up 0.5ppts to 15.5%, effective 25 March 2008. The move froze about Rmb185bn of liquidity in the banking system. This was second RRR hike in 2008 and the 12th since the beginning of 2007 and the 14th since the start of the new round of tightening measures since April 2006. We note that the growth of renminbi deposits accelerated to 17.22% YoY as of end-February 2008 from 15.1% as at end-January 2008. Such a situation indicates that the lending capacity has been inflated in the short term. We believe that the PBOC will continue to use the sterilisation operations to combat administrative measures to further control lending growth.
- **Central bank to continue tight monetary policy.** The People's Bank of China (PBOC) said on March 31st that it would firmly continue with the tight monetary policy to keep inflation under control, despite a possible global slowdown that may drag down China's economy. The PBOC said in a statement that although economic growth is stable, the country faces increasing pressure from a potential investment upswing, excessive lending and liquidity. Meanwhile, global uncertainties and risks are rising as the US subprime crisis worsens. The PBOC said credit preference would be given to relatively weak sectors including agriculture, employment, education and small and medium-sized enterprises. The central bank will continue improving the exchange rate regime "in a pro-active, manageable and gradual manner" while allowing the market to play a bigger role in determining the rate. It would also introduce more flexibility to the renminbi exchange rate and keep it stable at a reasonable and balanced level. Reform of the foreign exchange management regime should also be improved, said the central bank.
- **CSRC to solicit opinions on growth enterprise board (GEB).** The China Securities Regulatory Commission (CSRC) began to solicit opinions on the GEB, which will open for small start-ups to raise funds. The securities regulator posted the regulations, including conditions and procedures of stock issuance, as well as information disclosure. According to the CSRS, the first batch of companies will not secure listing on the growth enterprise board until several months later. Based on the draft regulations, the total share capital of any listed company on the GEB has to be no less than Rmb30m (US\$4.2m). The entry level for firms on other boards is Rmb50m, according to regulations of the Shanghai Stock Exchange and Shenzhen Stock Exchange. Meanwhile, the CSRC said it was studying extra requirements for the GEB because listing enterprises will have relatively higher risks. The draft regulations prolong the supervision period for sponsors of a newly-listed company on the GEB to three financial years, compared with two on other boards on the stock markets.

- **Commercial banks given clearance to trade gold futures.** According to China Banking Regulatory Commission (CBRC), mainland commercial banks will be allowed to trade gold futures in the domestic market. According to the notice, domestic banks that meet certain requirements, such as having capital adequacy ratio of more than 8%, can apply for trading permits. Gold futures trading was launched in China in January, but the CBRC barred domestic banks from being involved. In fact, gold futures trading can help domestic banks to improve their competitiveness against overseas institutions, as financial derivatives are supposed to be important revenue sources for leading banks. However, Chinese banks depend heavily on the margins between deposits and loans.
- **China exempts income tax on securities trading.** According to the Ministry of Finance (MOF), mutual fund companies will be granted temporary tax exemptions for their stock investment incomes in China. On 19 March, the MOF and State Administration of Taxation (SAT) jointly issued a notice saying that tax-exempt items included fund companies' profits from trading in stocks and bonds, dividends, and interests from bonds. Investor gains from mutual fund dividends, as well as fund managers' income from mutual fund trading, are also now exempt from income tax, according to the notice. The preferential policies were aimed at promoting China's stock funds, the notice said, but it did not say how long the tax exemption would last.
- **NDRC again raises minimum grain purchase price.** China raised its minimum purchase prices for rice and wheat for the second time this year to encourage grain production and curb inflation, the National Development and Reform Commission (NDRC) said on 8 March. According to NDRC's statement, the minimum purchase prices for rice would range from Rmb77 to Rmb82 per 50 kilograms, while that for wheat would be Rmb72-77. The previous hike this year, on 8 February, lifted the minimum prices for rice and wheat to Rmb75-79 and Rmb70-75, respectively. The NDRC also said that the minimum price system would be expanded to cover the north-eastern province of Liaoning, which would become the third region after Heilongjiang and Jilin to have minimum prices. China began setting minimum purchase prices in 2004 to encourage production.

AUTOMOTIVE

Eric HU, CFA / SHI Qi, CFA / WANG Yusheng

HK listed – Outperform

A shares – Outperform

- Domestic passenger car sales in February 2008 grew 17% YoY to 488,864 units.
- In 2M08, domestic passenger car sales surged 19% YoY to 1.15m units.
- We expect China's passenger car industry to post sales growth of 20% YoY in 2008.
- Sales of heavy-duty trucks (including chassis) and semi-tractors jumped 77% YoY and 39 YoY in February 2008. Large buses sales rose 20% YoY in 2M08.
- We expect sales of heavy-duty trucks and semi-tractors to decelerate in 2H08 due to China's enforcement of Euro III emission standards.

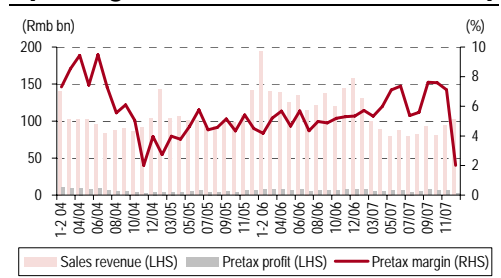
Chongqing Changan Auto (000625.SZ/Rmb8.90; 200625.SZ/HK\$4.83) – Outperform

Chongqing Changan Automobile (CCA) saw its net profit for 2007 grow 28% YoY to Rmb667m as sales revenue increased 13% YoY to Rmb13.7bn. Its EPS came in at Rmb0.34, below market consensus, but in line with our forecasts. The growth driver of the company was Changan Ford Mazda. The Changan Suzuki brand, as well as the Nanjing Changan and Hebei Changan subsidiaries turned in poorer performances than in 2006, as their net profits slipped 43.7% YoY, 24.1% YoY and 69.8% YoY, respectively.

Dongfeng Automobile (600006.SS/Rmb5.69) –Marketperform

Dongfeng Automobile (DA) reported that its net profit for 2007 came in up 1% YoY at Rmb489m on sales revenue growth of 27% YoY to Rmb13.4bn. DA put the poorer sales growth down to huge selling (up 39% YoY) and administration expenses (up 62% YoY) in 2007. We believe this was partly due to business expansion and an adjustment in the accounting principle. We believe the investment income of Rmb127m, most of which was from the capital market, made a significant contribution to earnings. According to China Automotive Industry Newsletter, the company saw sales of automotives grow 18.9% YoY to 150,038 units in 2007 for a market share of 1.7%. We believe DA will achieve its 2008 targets of total sales of 175,000 autos and revenue of Rmb16.2bn.

Operating Performance of the Auto Industry



Source: China Automotive Industry Newsletter

Huaqiao in the Middle Kingdom

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CHEMICALS

NI Xiaoman/Lawrence LAU, CFA/CHEN Tian

HK listed – Outperform

A shares – Outperform

- The Chinese Government issued a statement to levy a potash export levy of 30% effective from 1 April 2008 to 31 December 2008, in order to restrict exports to overseas market. We believe this policy will not have any impact on the potash industry as the domestic market relies on about 70% of imports and there is nearly no export volume.

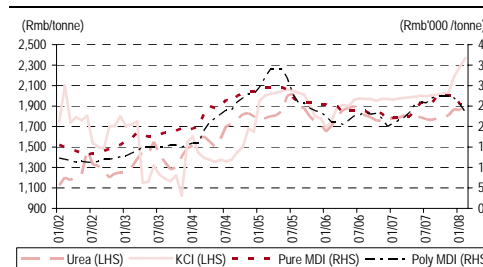
Yantai Wanhua (600309.SS/Rmb30.89) – Outperform

Yantai Wanhua reported that its net profit for 2007 surged 71% YoY to Rmb1m481m on revenue growth of 54% YoY to Rmb7804m. The robust earnings were due to increases in the price and sales volume of MDI. In view of the company's rapid expansion overseas, we believe it will grow in the next three years into a global chemical conglomerate with its technological advantage and management capability. We have raised our target price for Wanhua from Rmb49.40 to Rmb53.10, based on 2009 P/E of 30x and EPS of Rmb1.77, given its robust earnings CAGR of 36% and higher 2007 return on equity (ROE) of 38% relative to its peers.

Qinghai Salt Lake Potash (000792.SZ/Rmb83.44) – Outperform

QSLP reported that its 2007 net profit rose 21% YoY to Rmb990m as revenue grew 20% YoY to Rmb3,109m, on the back of a rise in the price of potash and increased sales volume. The company declared a dividend per share of Rmb1.20. Negotiations between Sinofert and overseas potash suppliers are ongoing and will not, in our view, be completed until the end of April. Meanwhile, potash prices in the overseas markets surged about 180% YoY to US\$600-640 per tonne in 1Q08. The domestic market expects the negotiated price of potash will rise sharply from the forecast level. We expect its average selling price in 2008 to rise more than 70% YoY to Rmb3,300/tonne. We forecast that the company's earnings during 2007-2010 will register a CAGR of 50.3%, thanks to rising price of potash and higher sales volume.

Product Prices



Source: China Petroleum & Chemical Industry Association

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Key Statistics

	% YoY	06	07	08E	Sep07	Oct	Nov	Dec	Jan08	Feb
Output										
Urea	13.3	11.5	10.5	8.5	13.1	11.6	4.3	5.5	1.9	
Potash	18.5	10.6	12.0	30.0	12.0	63.3	(70.0)	30.0	15.0	
PVC	23.3	20.0	15.0	18.0	17.9	17.5	17.9	18.6	13.4	
Nitric Acid	12.6	13.1	10.0	15.0	25.4	(3.0)	(6.5)	3.5	(2.2)	
Price	% YoY				% MoM					
Urea	(2.4)	0.1	3.5	0.8	1.4	1.4	3.3	(0.1)	3.2	
KCl	7.4	5.4	10.0	0.2	3.7	4.4	7.9	5.0	3.9	
Nitric Acid	0.4	1.8	2.8	2.3	(0.7)	0.4	10.8	5.9	(10.0)	
Pure MDI	(14.0)	5.5	(3.5)	6.6	17.0	0.0	0.0	0.0	(1.0)	
Poly MDI	(24.0)	14.3	(5.5)	2.0	18.5	(0.5)	(3.6)	0.0	(8.0)	
PVC	3.1	6.0	2.0	0.0	10.0	(5.2)	(2.8)	0.1	5.3	

Source: China Petroleum & Chemical Industry Association, BOCI Research estimates

CONSUMER – Beer, Wine & Liquor *HK listed – Marketperform*
ZHAO Zongjun *A shares – Outperform*

- Beer output grew around 13.0% YoY to 36.97m kilolitres (kl) in 11M07.
- Revenue of the beer industry rose 16.3% and profit grew 17.4% YoY in 11M07.
- Liquor production volume increased about 23.0% YoY to 4.33m kl in 11M07.
- Revenue of liquor industry rose 34.0% and profit grew 37.6% YoY in 11M07.
- Wine output grew about 35.4% to 0.57m kl in 11M07.
- Revenue and profit of wine industry rose 18.2% and 19.1% YoY in 11M07, respectively.

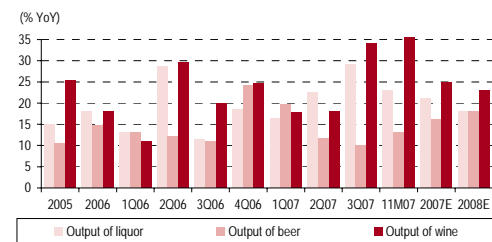
Luzhou Laojiao (000568.SZ/Rmb56.50) – Outperform

Luzhou Laojiao said that its net profit for 1Q08 would come in up 250-300% YoY at Rmb495.1m-Rmb565.9m. The robust earnings growth in 1Q08 will have been due to higher sales of the liquor business and price hikes, as well as investment income from Huaxi Securities Co, in which Luzhou Laojiao has 35% stake. The company's operating expenses ratio in 2007 fell 3.3ppts YoY to 12.0%, while its administrative expenses ratio decreased 1.3ppts YoY to 5.7%. Based on the boost to the growth of the liquor business, our EPS forecast Rmb1.68 for 2008, Rmb2.26 for 2009 and from Rmb3.01 for 2010. Our EPS forecasts for the alcoholic beverages business are Rmb1.32 for 2008, Rmb1.98 for 2009 and Rmb2.77 for 2010. We maintain our **Outperform** call on the stock.

Yantai Changyu (000869.SZ/Rmb68.31; 200869.SZ/HK\$46.20) – Outperform

Yantai Changyu reported that its net profit for 2007 surged 61.1% YoY to Rmb636m, although revenue grew just 26.0% YoY to Rmb2.73bn. The company's earnings for 4Q07 surged 123.7% YoY, while revenue grew 20.7% YoY. It declared a dividend per share of Rmb1.10. Due to the increasing gross margins for the wine and brandy products, the total gross margin for 2007 came in up 3.1ppts at 69.7%. The company's 2007 operating expenses rose 24.7% YoY, while its operating expenses rate fell 0.2ppt. Changyu's administrative expenses decreased 17.7% YoY and administrative expenses rate fell 3.5ppts YoY due to lower the employee benefit under a new accounting policy. The EBIT margin and net margin increased 7.3ppts and 5.1ppts, respectively. We forecast EPS for 2008-10 were Rmb1.80, Rmb2.33 and Rmb3.07. We reaffirm our **Outperform** call on the A and B shares.

Output of Beer and Liquor



Sources: China Light Industry Association, BOCI Research

Key Statistics

(YoY %)	06	07E	08E	+2006	2007					
				3M	6M	9M	12M	5M	8M	11M
Revenue										
Beer	16	17	18	30	11	13	16	20	18	16.3
Liquor	31	33	35	22	24	26	32	31	34	34
Wine	25	28	30	28	29	27	25	19	23	18
Profit										
Beer	20	21	22	19	11	20	21	30	23	17
Liquor	26	35	39	21	23	21	26	26	37	38
Wine	16	18	24	15	11	13	16	27	18	19
Gross margin (%)										
Beer	34.0	34.0	34.5	31.5	33.7	34.9	34.0	33.4	33.9	33.4
Liquor	34.8	36.0	37.0	37.9	35.4	34.4	34.8	36.2	36.1	35.6
Wine	36.7	37.0	37.5	37.2	37.0	35.0	36.7	39.3	36.1	35.6

Sources: China Light Industry Association

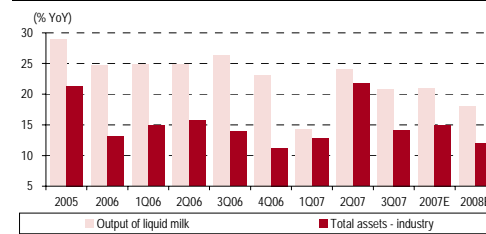
CONSUMER – Dairy & Others *HK listed – Marketperform*
ZHAO Zongjun / Jenny CHAN *A shares – Underperform*

- Liquid milk products output grew 18.8% YoY to about 13.01m tonnes in 11M07.
- Industry sales revenue grew 24.6% YoY to Rmb92.3bn in 11M07.
- Industry profit went up 19.6% YoY to Rmb6.4bn in 11M07.
- Industry ROA improved from 5.65% in 10M06 to 7.73% in 11M07.

Yantai North Andre Juice (8259.HK/HK\$0.61) – Outperform

Andre Juice reported a set of better-than-expected results, as 2007 earnings rose 207% to Rmb214m after a bad apple harvests in pressing season August 2005 to April/May 2006. Due to the good selling prices, growing sales volume and the disposal gain of Rmb86m, we expect Andre to record a record profit of Rmb467m for 2008, followed by a decline in 2009 in anticipation of global apple output recovery in new pressing season 08/09. Given the rising global equity risk, we have lowered our target P/E multiples from 22x to 15x, and hence reduced our target price to HK\$1.50. With more than 100% potential upside, Andre Juice is definitely one of our favourites stock within the sector. Andre's turnover increased 111% to Rmb1,663m on growing volume and average selling prices. Gross margin added 5ppts to 26%, thanks to a faster increase in apple juice concentrate (AJC) prices. 4Q07 gross margin reached 31.5%, and it is only the first quarter of this pressing season 07/08. Despite apple purchasing prices went up around 50% to Rmb1,200/tonne, selling prices of AJC have doubled to US\$1,800/tonne owing to tight global supplies. Volume and selling prices are secured for the first nine months of 2008, and if the apple harvest remains good for the new pressing season 08/09, Andre should be on tract to sell around 250,000 tonnes of AJC this year. With Agrana's wide distribution channel in Europe, Andre has successfully expanded its exports to Europe, after forming a JV with Agrana. European sales made up 36% of total turnover in 2007, up from 17% in 2006. The strategic alliance has been further strengthened following the sale of a 50% stake in Yongji Andre to Agrana in early March. On the capacity expansion side, Andre plans to further increase its AJC production capacity to 310,000 tonnes this year. To diversify product portfolio and make full use of apples, Andre also plans to add another 2,000 tonnes and 10,000 tonnes of capacity in Pectin and the apple-pulp line.

Output of Liquid Milk & Total Assets



Sources: China Dairy Yearbook, BOCI Research

Key Statistics

(% YoY)	05	06	07E	08E	2006		2007		
					1H	2H	5M	8M	11M
YoY %									
Outputs									
Liquid milk	29	25	21	19	25	25	20	18	19
Other dairy products	18	15	25	23	10	19	24	20	21
Industry									
Total assets	21	11	15	12	16	11	22	14	14
Total sales	38	21	21	18	27	15	22	24	25
Gross margin (%)	23.8	23.0	22.8	23.2	22.7	23.3	22.8	22.4	22.3

Sources: China Statistical Yearbook, BOCI Research

CONSUMER – Retail

Ashley CHEUNG, CFA / LIU Du / ZHENG Yuan

HK listed – Outperform

A shares – Outperform

- According to China Chain Store and Franchise Association, total sales of the top 100 chain store enterprises in 2007 grew 21% YoY to Rmb1trn, accounting for about 11.2% of retail sales of consumer goods in the same period, well above the 6.0% in 2003.
- According to China General Chamber of Commerce, the 2007 earnings of 497 key retail enterprises (core revenue in excess of Rmb100m) grew 21% YoY to Rmb71.2bn. Earnings of department stores, supermarkets and electric appliance stores increased 25.1% YoY, 18% YoY and 6.3% YoY, respectively.

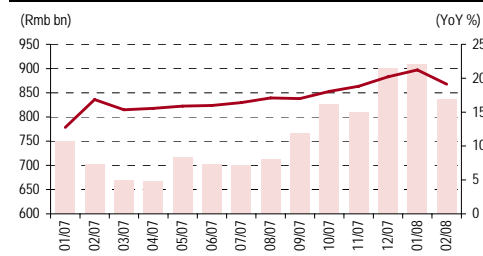
Chengdu People's Department Store (600828.SS/Rmb20.92) – Outperform

Chengdu People's Department Store (Chengshang) operates seven stores in Sichuan Province, covering a total area of about 108,800m², and focuses on the medium-to-high end market. Shenzhen Maoye Shangsha acquired a majority stake of 69.23% in Chengshang in 2005. After two years of integration, Chengshang saw a turnaround from a net loss in 1H05 to a net profit in 1H07. We expect its 2007 earnings to amount to Rmb93m and for it to deliver a net profit CAGR of 39% during 2007-11. We arrived at a target price of Rmb29.05, implying 36x 2009 P/E, a potential upside of around 24%. We initiated coverage on Chengshang with an **Outperform** rating.

Times Ltd (1832.HK/HK\$2.90) – Outperform

Times reported that its net profit for 2007 increased 9.2% YoY to Rmb84.7m, in line with our estimate. Stripping out the listing expenses, core profit in 2007 rose 37% to Rmb106m. We reckon the rise in net profit was primarily due to a 21% increase in gross floor area (GFA) and the 0.3ppt expansion in gross margin. We maintain our earnings forecasts for an estimated EPS CAGR of 33% during 2008-10. The core profit growth in 2008 will be particularly strong at 46% YoY, due to a lower effective tax rate and full-year contribution from the 10 stores opened in 2007. The stock trades at 15x 2008 P/E and 0.5x PEG, which makes it undemanding. We retain our target price of HK\$4.10, equivalent to 21x 2008 P/E. We reaffirm our **Outperform** call.

Retail Sales of Consumer Goods



Source: CEIC

Key Statistics

Wholesale and retail trades by category of main commodities					
YoY %	1Q07	1H07	1-3Q07	2007	J-F 08
Grain and oil	30.4	33.2	37.0	38.3	41.2
Meat, poultry and eggs	32.5	36.0	40.5	40.9	31.5
Clothing, shoes, hats and textiles	27.2	25.0	24.7	28.7	24.0
Sport and recreation articles	14.5	17.9	21.8	na	22.8
Household and video appliances	21.0	20.7	20.3	23.4	18.8
Furniture	37.6	43.4	38.7	43.2	25.9
Cosmetics	24.8	25.9	25.2	26.3	24.3
Gold, silver and jewellery	37.9	37.5	41.5	41.7	46.8
Communication appliances	10.6	10.9	9.5	na	5.3
Automobiles	38.5	36.7	38.1	36.9	33.8

Source: NBS

CONSUMER – Textile

Frank HE

HK listed – Marketperform

- The Cotlook-A index edged up 1.02% MoM to US\$0.745/lb in April on stable order flows from yarn spinners.
- The China cotton price was stable at Rmb 13,800/tonne in April. With the normalisation of the overseas cotton price, the price gap has been narrowed recently. Coupled with the overall lacklustre downstream demand, we believe there is limited upside potential for the domestic cotton price in the near term
- China's exports of textile and apparel products in February 2008 fell 10.13% YoY to US\$10.00bn from US\$11.13bn in February 2007.

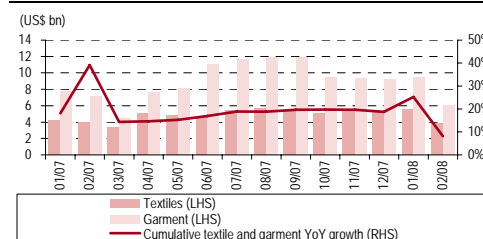
Ports Design (0589.HK/HK\$23.05) – Outperform

We believe the upbeat domestic consumption trend towards high-end fashion products will continue to favour widely-recognised brand owners, like Ports Design. Given its extensive retail network and leading positioning in the high-end apparel market, we expect Ports Design to maintain its growth momentum and register earnings CAGR of 30.2% in 2007-10. Ports Design has agreed with Giorgio Armani SpA to distribute the latter's products in China. The major product lines include *Giorgio Armani*, *Emporio Armani*, and *Armani Jeans*. Although it is a non-exclusive distribution licence, it will enable the company to gain more experience in retailing global luxury brands, as well as to enhance the management of its own distribution channels. We reaffirm our **Outperform** call on the stock.

Giordano International (0709.HK/HK\$3.14) – Outperform

We believe the improvement in Giordano's merchandising strategy and the brand revamping of the retail business will ultimately ease the margin pressure on the manufacturing side. The decent growth and rising weighting in the China market will also support Giordano's earnings outlook. Unlike higher-end luxury fashion brands, players in the mid-end mass market face stiffer competition in terms of selling prices and product offerings. We reckon that the distorted climate and margin squeeze in manufacturing are industry-wide setbacks and companies with distinguished product ranges to lift pricing power will be keys to emerge as winners. In order to cater to increasingly sophisticated customers, Giordano has doubled its collection to over 3000 styles a year. As a result, inventory turnover days have been reduced from 66 to 61. We reaffirm our **Outperform** call on the stock.

Textile and Garment Monthly Export



Source: China Custom, Webtextiles.com

Key Statistics

	06	07	08E	Sep07	Oct	Nov	Dec	Jan08	Feb	Mar
Cotlook Daily A Cotton Price Index (US\$/lb)	61.2	71.6	76.2	71.1	69.4	69.4	71.6	72.7	80.7	74.9
China Cotton Index (Rmb/tonne)	12,853	13,567	13,974	13,032	13,536	13,525	13,567	13,669	13,796	13,826
China 32s Knitting Cotton Yarn price (Rmb/tonne)	19,250	19,200	19,500	19,800	19,800	19,800	19,200	18,900	18,900	19,400

Sources: Bloomberg, Datastream, Emerging Textiles,

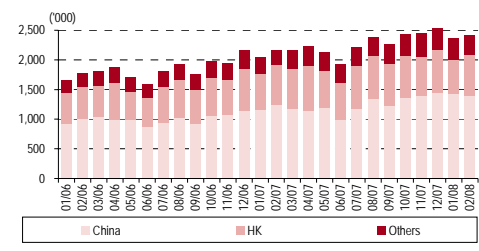
CONSUMER SVS – Gaming & Hotels *Gaming – Marketperform*
Hotels – Marketperform
Ashley CHEUNG, CFA / Kitty CHEUNG

- Visitor arrivals to Macau in February 2008 grew 11.6% YoY to 2.42m. For 2M08, arrivals were up 13.9% YoY, lower than the 20%+ growth registered in each month of last year. For the same period, PRC visitor arrivals grew 17.8% YoY to 2.8m. Surprisingly, those from Hong Kong edged down 1% YoY to 1.27m. Growth in visitors from other countries remained strong at 32.3% YoY.
- Macau casino operators kicked off the year with a price war and the most likely loser for share of the high-rollers' market will be profit margin, according to the South China Morning Post. Between November and February, the market share of SJM fell from 37% to 24%, while that of Venetian Macao dropped from 28% to 22%, and that of Galaxy from 15% to 11%. The decline was partly due to the opening in December of MGM Grand Macau that claimed 8% of the market by February. Also, Crown Macau, owned by an associate of Melco, seized 18% of the market up to February after its tie-up with junket operators in December. Crown Macau agreed to pay up to 1.35% of the gambling chips to operators, compared with an average commission of 1.2%.

Shangri-La Asia (0069.HK/HK\$21.55) – Underperform

Shangri-La Asia reported that its net profit for 2007 surged 69% YoY to US\$341m. Turnover grew 22% YoY to US\$1,219m, 2% below our projection. Excluding non-operating items, underlying earnings came in up 33% YoY at US\$198m, exactly the same as our forecast. We maintain our earnings forecasts for 2008 and 2009. Our target price for the stock remains HK\$19.80, representing 2009E P/E of 22x and EV/EBITDA of 13x. We reaffirm our **Underperform** call on Shangri-La due to limited upside. However, our long-term view remains positive given its strong fundamentals to deliver a four-year CAGR of 28.0% in underlying earnings.

Macau Visitor Arrivals



Source: CEIC

Key Statistics

Gross revenue from game of fortune								
MOP m	3Q06	4Q06	FY06	1Q07	2Q07	3Q07	4Q07	FY07
VIP Baccarat	9,114	11,318	36,783	12,002	13,206	13,668	16,886	55,762
YoY %	27	66	27	50	58	50	49	52
Slot machine	534	626	2,053	753	825	876	1,141	3,595
YoY %	59	74	64	72	81	64	82	75
Others	4,302	4,980	17,788	5,652	5,536	5,797	6,680	23,665
YoY %	3	9	12	32	31	35	34	33
Total	13,950	16,924	56,624	18,407	19,567	20,341	24,707	83,022
YoY %	19	44	23	45	50	46	46	47

Source: CEIC

ENERGY *HK listed – Outperform*
A shares – Outperform
Lawrence LAU, CFA/Grace TANG

- The price of oil hit new high in mid-March with the weakening of the US dollar before slipping slightly towards the end of the month. The price of ICE Brent rose from US\$100.00/bbl to US\$107.00/bbl in middle of the month and then retreated to close the month at US\$104.00/bbl.
- Asian oil prices weakened slightly relative to global benchmarks in March. The premium of the price of Minas (the benchmark for Daqing oil) to that of ICE Brent dropped from US\$2.00/bbl at the beginning of the month to US\$0.40/bbl at the end of it. The discount of the price of Cinta (the benchmark for Shengli oil) to that of ICE Brent also increased from US\$3.9/Obbl to US\$4.20/bbl over the same period.
- The median settlement price of Datong high-grade coal dropped 3% MoM to Rmb640.00/tonne and that of Shanxi high-grade coal dropped 2% MoM to Rmb595.00/tonne in March. The coal inventory at Qinhuangdao surged 30% MoM to 7.0m tonnes by the end of the month.
- The FOB price of thermal coal at Newcastle (Australia) dropped 6% MoM to US\$121.00/tonne at the end of March.

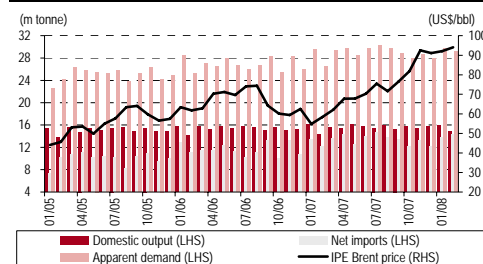
Sinopec (0386.HK/HK\$8.18; 600028.SS/Rmb12.46) – Outperform (H&A) ↑

Sinopec received government subsidies of Rmb4.9bn for 2007 and Rmb7.6bn for 1Q08 to compensate for the huge losses for its refining business arising from the relatively stable prices for key refined products as a result of government control and the sharp rise in oil price. We have revised up our 2007-08 earnings forecasts by 3-4%. We have also upgraded our calls on both the H and A shares to **Outperform** from Marketperform, with target prices of HK\$8.77 and Rmb17.72 respectively.

COSL (2883.HK/HK\$12.84; 601808.SS/Rmb23.35) – Outperform (H ↑); Marketperform (A)

The earnings of China Oil Services Ltd (CODL) surged 98% YoY to Rmb2.24bn in 2007 for both H and A shares. We upgraded our call on its H shares to **Outperform** from Marketperform as most peers have seen their share prices surge. We have increased our target for the H shares from HK\$14.10 to HK\$16.00.

Crude Production, Import & Demand



Sources: National Bureau of Statistics, China Petrochem & Chemical Industry Association, Bloomberg

Key Statistics

YoY %	07	08E	09E	Sep07	Oct	Nov	Dec	Jan08	Feb
Output									
Crude oil	1.6	1.8	2.1	1.8	2.0	1.5	2.8	(1.2)	3.8
Natural gas	13.8	11.8	10.6	25.1	23.0	16.7	9.3	48.9	13.1
Refining throughput	8.0	6.0	6.0	7.6	7.7	6.0	7.8	7.6	9.7
Coal	6.3	8.4	5.7	8.5	8.8	8.5	8.3	3.2	13.5
Imports									
Crude oil	12.4	7.2	6.9	1.5	16.5	0.5	11.4	1.8	18.1
Price									
IPE Brent (US\$/bbl)	72.5	86.3	78.8	76.6	81.9	92.5	91.1	92.1	94.1

Sources: National Bureau of Statistics, China Petrochem & Chemical Industry Association, Bloomberg, BOCI Research estimates

FINANCIALS (China)

YUAN Lin, CFA / ZHANG Jian

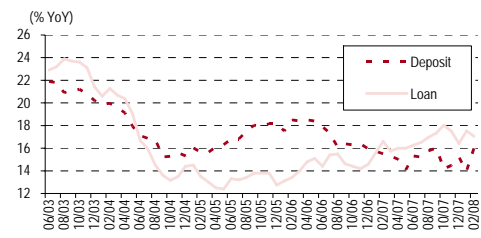
HK listed – Outperform
A shares – Outperform

- The CBRC has issued draft measures on qualifications for controlling shareholders of Chinese banks. The new measures include mention of foreign financial institutions with interests in Chinese banks. We believe that the measures mean foreign institutions may be able to take stakes of more than 25% in Chinese banks. If this is indeed the case, it is a major policy change and will foster greater openness in Chinese banks. We believe that the draft measures will be positive for Chinese banks' long-term development, and will help bring about a sound corporate governance structure.

Industrial & Commercial Bank of China (1398.HK/HK\$5.88; 601398.SS/Rmb6.36) – Outperform

Since Industrial and Commercial Bank of China (ICBC) posted results that were better than our forecast, we have revised up by a marginal 1.6% our net profit estimate for 2008. We maintain our target price for ICBC's H shares and reaffirm our **Outperform** rating. At the same time, we have lowered our target price for the A shares from Rmb8.50 to Rmb7.60, in view of enlargement of free-float shares on 28 April 2008 at the end of the lock-up period for strategic investors, but reaffirm our **Outperform** rating.

Loan and Deposit Growth



Source: NBS

Key Statistics

	07	08E	09E	Sep07	Oct	Nov	Dec	Jan08	Feb
New incremental loans (Rmb bn)	3,630	3,630	3,800	283.5	136.1	87.4	48.5	804	243
Deposit (% YoY)	16.1	14.1	12.8	16.8	14.9	15.3	16.1	15.1	17.2
Lending (% YoY)	16.1	14.7	12.9	17.1	17.7	17.0	16.1	16.7	15.7
7-day inter-bank lending rate (%)	2.1	2.5	3	3.36	3.03	2.28	2.09	2.32	2.65
Excess deposit reserve ratio (%)	4.8	2	2.5	2.80	n.a	n.a	3.5	n.a	n.a
NPLs (%)	6.8	6.5	6.6	6.63	n.a	n.a	6.7	n.a	n.a

*NPLs based on listed companies' data; all other data from PBOC
Sources: Listed companies, PBOC, BOCI Research estimates

FINANCIALS (Hong Kong)

K.W. WONG, CFA

HK listed – Marketperform

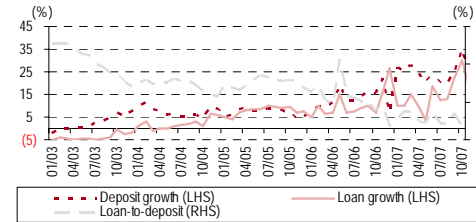
- According to mReferral, February 2008 new home mortgage market shares were 20.3% for BOC (Hong Kong), 16.0% for Hang Seng Bank, 9.9% for HSBC, 5.9% for Standard Chartered, 5.5% for CCB (Asia), 5.3% for DBS (Hong Kong), 3.6% for Bank of East Asia, 3.0% for Dah Sing Bank, 2.8% for CITIC Ka Wah Bank and 2.2% for Wing Hang Bank.

Dah Sing Financial (0440.HK/HK\$55.20) – Outperform ↑

Dah Sing Banking (2356.HK/HK\$13.70) – Outperform

Dah Sing Financial (DSF) reported that its 2007 net profit declined 24.8% YoY to HK\$1,050m, while 75%-held banking subsidiary Dah Sing Banking (DSB) posted 2007 earnings of HK\$800.2m, down 33.1% YoY. Both results were below general market consensus as DSF took a 67% impairment charge on its HK\$1,556m exposure to externally managed funds (which we believe include holdings in structured investment vehicles [SIV] and mortgage backed securities [MBS]). Before impairments, the operating profit of DSF rose 26.7% YoY to HK\$2.25bn, while that of DSB increased 18.5% YoY to HK\$1.7bn, both relatively solid showings. The relatively faster growth for DSF was stemmed from trading returns for its insurance funds. In 2008, we expect additional impairments amounting to HK\$233.4m (additional 15% impairment) with the net interest margin (NIM) likely to widen slightly (5bps) due to a declining HIBOR. DSB's management reported that 17%-held Bank of Chongqing was currently applying for an initial public offering in the A-share market (targeted for 2008), which could further boost its share-price performance. We reaffirm our **Outperform** rating for DSB and reduce our target price from HK\$20.70 to HK\$18.50 (2008E P/E of 12.1x and P/B of 1.7x), after incorporating the latest financial information. Although we expect investment returns to decline for DSF's insurance operations, we see limited downside at the current share price level and upgrade our rating to **Outperform** from Underperform. However, we have cut our target price from HK\$69.30 to HK\$67.00 (2008E P/E of 10.8x and P/B of 1.5x), after incorporating the latest financial information.

Loan and Deposit Growths



Source: HKMA

Key Statistics

	07	08E	09E	Sep07	Oct	Nov	Dec	Jan08	Feb
Prime	6.85	5.25	5.25	7.66	7.50	7.10	6.85	6.56	5.75
3M HIBOR	3.75	1.75	1.75	4.86	5.10	3.67	3.75	2.97	2.31
Prime - HIBOR	3.10	3.50	3.50	2.80	2.40	3.43	3.10	3.59	3.44
Savings deposit rate	1.35	0.10	0.10	2.16	2.01	1.61	1.35	1.07	0.28
Loan growth (% YoY)	20.0	12.0	10.0	21.8	30.1	19.1	20.0	3.3	
Deposit growth (% YoY)	23.1	15.0	12.5	25.1	35.1	24.6	23.1	19.3	

Sources: HKMA, BOCI Research estimates

FINANCIALS – Insurance

YUAN Lin, CFA

HK listed – Outperform

- We reaffirm our positive view on the insurance sector's long-term development prospects. The premium income growth in 2M08 is already better than our expectation. However, we are cautious about the sector's performance in the current year. Stock investment income, which accounted for more than 60% of total investment income in 2007, may drop sharply in 2008 due to weak stock market performances. As such, we downgrade our rating on the sector from Outperform to **Marketperform**.

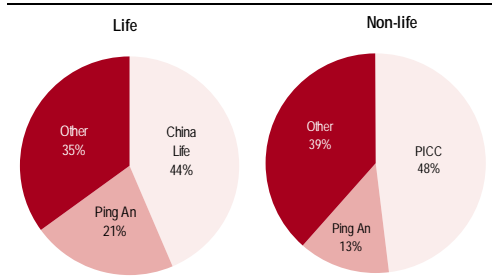
Ping An Insurance (2318.HK/HK\$63.05; 601318.SS/Rmb59.04) – Marketperform↓

We have lowered by 36% our 2008 earnings forecast for Ping An due to our lower investment yield assumption. While we recognise that Ping An's current value is reasonable due to its normalised investment yield over the long term, we believe that poor stock-market performance will bring a short-term reduction in investment income. We downgrade our ratings from *Outperform* to **Marketperform** for both the H and A shares. We have lowered our target prices from Rmb118.00 to HK\$59.00 for the H shares and from Rmb150.00 to Rmb63.00 for the A shares.

China Life Insurance (2628.HK/HK\$29.60; 601628.SS/Rmb31.78) – Outperform

While we maintain forecast of 2007 net profit for China Life, we have lowered our target price from HK\$37.00 to HK\$31.79 on the back of a lower New Business Multiplier (NBM). The value of one year's sales only grew 10%, if deducting the change in assumption. Looking forward, while we believe that China Life's premium income will remain high due to a slight change in the product mix (more investment-link products), we have revised down our NBM from 35 to 32, which results in an appraisal value of HK\$31.79 for end-2008.

Market Share Breakdown – Nov 2007



Source: CIRC

Insurance Premium Growth

(Rmb bn)	06	07E	08E	Jun07	Jul	Aug	Sep	Oct	Nov
Non-life insurance premiums	156	199	239	23	14	16	19	15	15
Life insurance premiums	406	494	543	45	30	37	45	36	45
Total insurance premiums	562	693	782	68	44	52	64	51	61
Growth rate (%)									
Non-life insurance premiums	22	28	20	31	33	32	30	28	27
Life insurance premiums	12	22	10	17	17	19	21	23	20
Total insurance premiums	14	23	13	21	22	23	24	24	22

Sources: Bloomberg, Company data, BOCI Research estimates

MEDIA

Allan NG / LIU Du

HK listed – Outperform

A listed – Underperform

- Deputy director Zhang Haitao of industry regulator State Administration of Radio, Film and Television (SARFT) told a recent seminar that there were 150m cable households in China at the end of last year, 26m of which were on digital services. He also said that the over RFT industry generated revenue of Rmb131bn in 2007.

Television Broadcasts Ltd (0511.HK/HK\$42.75) – Outperform

On account of the slightly lower-than-expected profit growth in 2007, we trimmed our current year profit forecast by 3.2% to HK\$1.46bn (EPS: HK\$3.343). Using 17x of 12-month forward P/E, our new target price is HK\$59.00 down from the previous HK\$64.00.

Phoenix Satellite TV (8002.HK/HK\$1.08) – Outperform

Following its lower than expected results, we lowered our current year profit forecast by 14% to HK\$280m (EPS: HK\$0.057). Based on 12-month forward P/E of 29x, we have cut our target price to HK\$1.70.

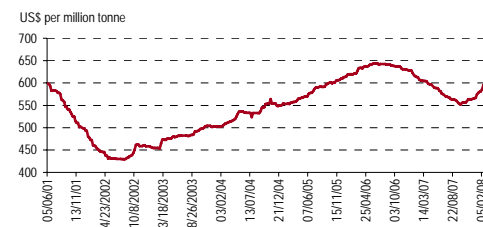
Shanghai Xinhua Media (600825.SS/Rmb29.10) – Outperform

Excluding additional assets injection from the parent company, we now forecast EPS of Rmb0.92 for 2008 and Rmb1.21 for 2009. In view of its bright future due to the placement and operation improvements, we reaffirm our **Outperform** rating on the stock, but lower our target price to Rmb42.35 from Rmb54.50.

i-Cable Communications (1097.HK/HK\$1.23) – Underperform

We have cut our net profit forecast by a modest 2% to HK\$178m (EPS: HK\$0.088) for the current year, but slashed by 30% to HK\$184m (EPS: HK\$0.091) that for 2009 due to the pronounced weakness in cable ARPU. Our new target price is HK\$1.47.

Newsprint Prices



Sources: Bloomberg

Key Statistics

(% YoY)	03	04	05	Dec05	Jan06	Feb	Mar	Apr	May
Newsprint (US\$/mt)	502	550	614	614	620	622	634	637	642
Adspending (HK\$m)**	14,312	16,423	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Circulation* (k)	1,430	1,385	1,351	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Readership* (k)	4,935	4,211	4,108	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
i-Cable TV ARPU	230	232	218	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China print advertising volume growth (% YoY)									
Newspaper	n.a.	n.a.	n.a.	18.8	n.a.	n.a.	n.a.	n.a.	n.a.
Magazine	n.a.	n.a.	n.a.	2.8	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	17.5	n.a.	n.a.	n.a.	n.a.	n.a.

* Including Oriental Daily, Apple Daily, Ming Pao, SCMP

** assuming 40% off discount

Sources: Datastream, HKABC, AC Nielsen, Admango, HC Media Research

METALS & MINING

Belle CHAN / LE Yukun / XU Minle, CFA

HK listed – Outperform

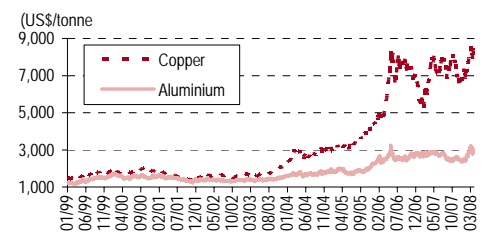
A shares – Outperform

- Of the metal and mining companies that reported 2007 results, half were below market expectations. Margin squeeze is the theme this year, while rising costs are the main concern, showing no signs of abating. Downstream companies will be most affected with downside earnings risk, as evident in the results of the likes of Baosteel, Jiangxi Copper and Chalco.
- In view of rising raw-material costs, we believe downstream players will be hit and companies that are fully integrated with upstream sources will be least affected. These are Xinjiang Xinxin Mining (72% self-sufficiency rate in nickel) and Zijin Mining (90% self sufficiency rate in gold).
- Steel companies have announced price increases, but we believe that will not be able to offset rising costs fully. We estimate that mainland flat steel products prices have to go up 23%, while long products have to rise 29%, to cover the 65% increase in iron ore price and 40% rise in coking coal. For 1H08, the order price for Baosteel's hot rolled steel sheets rose only 18% and that for cold rolled steel sheets 12%. At this stage, Baosteel has not as yet been able to pass on fully the cost increase. We prefer steel companies with their own raw material supplies, good cost controls and niche products, we like Angang, Wuhan Steel and Nanjing Iron and Steel.

Nanjing Iron & Steel (600282.SS/Rmb14.81) –Outperform

Nanjing Steel reported that its net profit for 2007 surged 163% YoY to Rmb1.03bn. The strong earnings growth came from higher volume and a rise in the price of steel. The company declared a DPS of Rmb0.10 along with a generous 0.8 bonus share for every shareholder. We are optimistic about the company's outlook and believe the volume increase and production of new products will greatly strengthen its competitiveness. We reaffirm our **Outperform** rating on the stock and retain our target price of Rmb23.00, based on 18x 2008E P/E.

3-month Futures Aluminium and Copper



Sources: LME

Key Statistics

(% YoY)	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Quick speed wire rod	(5)	15	20	23.0	30.0	45.3	38.7	43.4	51.3
Ord. Plate -40mm	(12)	17	20	22.0	26.0	36.5	32.0	35.8	43.4
Cold-rolled sheet	(10)	10	15	11.0	15.0	25.0	20.7	23.3	39.2
Hot-rolled sheet	(19)	5	15	6.0	8.0	15.0	12.5	20.6	26.4
Galvanised steel	(13)	1	15	(8.0)	(7.0)	(4.0)	(1.0)	3.2	12.5
Aluminium	21	(5)	5	(12.0)	(16.0)	(17.0)	(13.4)	(4.6)	(0.4)
Copper	77	0	0	(7.0)	(10.0)	(9.0)	6.0	21.2	13.5

Sources: Bloomberg, Company data, BOCI Research estimates

PROPERTY (China)

Manfred HO/TIAN Shixin/Kitty CHEUNG/ZHOU LuA shares – Marketperform

HK listed – Outperform

- In March 2008, the Ministry of Finance and State Administration of Taxation jointly issued a series of measures on tax exemption for construction and purchase of policy-ensured houses, including a reduction of stamp duty and a halving of the contract tax for the purchase of economic housing, to encourage the low- to medium income class to buy affordable homes.
- The average selling price (ASP) of commodity houses in 70 mainland cities grew 10.9% YoY in February 2008, 0.4ppt lower than in January, according to statistics from the National Development and Reform Commission (NDRC). Urumqi, Ningbo, and Haikou led the way with price increases of 24.2%, 18.9%, and 18.9%, respectively.

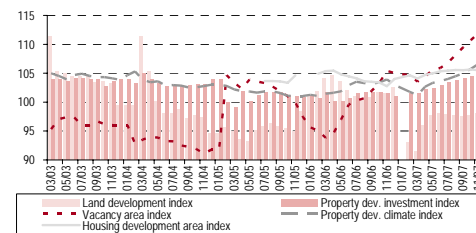
China Vanke (000002.SZ/Rmb24.80; 200002.SZ/HK\$16.95) – Outperform

China Vanke's 2007 earnings growth came in on par with optimistic market consensus, with net profit up 111% YoY at Rmb4.84bn and revenue up 98% YoY at Rmb35.53bn. The company's booked area grew 35.9% YoY to 3.937m sqm with booked revenue surging 99.1% YoY to Rmb35.18bn. The company saw its sold area jump 90.1% YoY to 6.137m sqm, with sales proceeds surging 146.65% YoY to Rmb52.36bn. Vanke's average booked price for last year was Rmb8,936/sqm, well above the Rmb6,102/sqm in 2006. As of end-2007, Vanke had 2.909m sqm of properties sold, but yet to be completed and booked, with a total contract value of Rmb23.81bn, locked in of 34% of our forecast 2008 turnover.

China Overseas Land & Investment (0688.HK/HK\$15.40) – Outperform

China Overseas Land & Investment (COLI) reported a 2007 net profit surge of 76% YoY to HK\$4.2bn, at the upper end of market consensus. It posted 2007 turnover growth of 52% to HK\$16.6bn, of which 80% was derived from the China property development business. Including the pre-sale of 900,000 sqm for revenue of HK\$9bn as of end-2007 and presales in 3M08 (400,000 sqm for proceeds of HK\$4.3bn sales), COLI had sold/pre-sold 1.3m sqm of properties for total revenue of HK\$13.3bn, equivalent to 48% of our full-year revenue projection for this year. COLI currently has a land bank of 25.6m sqm (23.2m sqm in terms of attributable GFA) in 22 cities, including Hong Kong and Macau. The company plans to acquire a further land bank of 4.5m sqm this year (or 2.5m sqm land bank in the next nine months).

Property Indices



Sources: Soufun.com

Key Statistics

(% YoY)	06	07	08E	Aug07	Sep	Oct	Nov	Dec	J-F08
Property investment	23	30	23	28	28	39	35	23	33
Residential property investment	26	32	25	36	36	41	34	25	31
Commodity housing starts (area)	17	21	18	4	4	34	26	12	27
Commodity housing completion area	9	10	10	4	4	(2)	5	12	32
Commodity housing sales area	38	26	22	36	36	27	24	11	(4)
Commodity housing sales amount	55	44	31	77	77	59	30	28	(4)
Average selling prices	13	15	7	14	14	15	14	15	0

Sources: China Real Estate Net, Soufun.com, BOCI Research estimates

PROPERTY (Hong Kong)

Manfred HO, CFA/Kitty CHEUNG

Developers – Outperform

Investors – Outperform

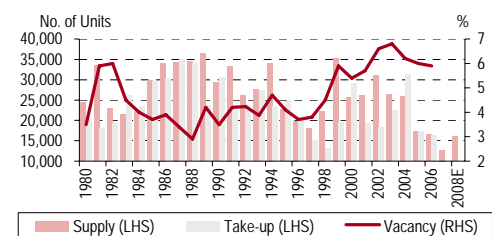
REITs – Outperform

- Following the 75bps US rate cut on 19 March 2008, HSBC, BOC and Hang Seng Bank announced 50bps cuts to their prime rates from 5.75 % to 5.25% (other small and medium banks also cut their prime rates by 50bps to 5.5 %). At the same time, the mortgage rate of major banks also changed from P-2.75% to P-2.5%, thus the rate for new mortgages was only reduced from 3% to 2.75%, still well below the gross yield of 3.6% for flat sizes between 70-100sqm as of February 2008. In fact, the HK dollar savings deposit rate also went down to 0.01% for major banks and 0.25% for other small and medium banks, implying a negative real interest rate of over 3% given that the government is forecasting a 3.4% inflation rate in 2008. These factors further encourage investors to buy property for investments and make mortgage financing more attractive as opposed to renting. While the residential properties transaction volume began slowdown due to the recent drop in the stock market as well as uncertainties of global economy, we maintain our positive view towards Hong Kong residential market given the tight supply and the negative interest rate environment. We also reaffirm our Outperform rating on the developers sector.

Sun Hung Kai Properties (0016.HK/HK\$133.20) – Outperform

Sun Hung Kai Properties (SHKP) reported that its underlying net profit for the first half of its fiscal year to 30 June 2008 came in up 17% YoY at HK\$6.2bn, the upper end of market consensus of HK\$4.7bn-6.2bn. Stripping out the HK\$530m gain on the disposal of equity investments, we estimate the core earnings amounted HK\$5.7bn, the mid-range of market consensus. The company's valuation is less demanding at a 17% discount to its forward NAV of HK\$160.80. We reaffirm our **Outperform** rating on SHKP and raise our target price from HK\$167 to HK\$170.40, representing a 6% premium to its 12-month forward NAV (the average NAV premium since 2007).

Private Residential Property Completions and Sales



Sources: Housing Department, Centaline

Key Statistics

	06	07	08E	Aug07	Sep	Oct	Nov	Dec	Jan08	Feb
CCI	1	22	23	1	1	1	1	1	31	-
CCL Index	3	24	25	1	1	1	1	1	33	36
Trans. No.	(20)	47	20	58	(7)	75	112	82	93	57
Trans. Val	(20)	67	43	76	(3)	133	214	127	149	95
Primary trans	(19)	40	20	6	(42)	71	216	(46)	77	(55)
Unsold stock	12	(59)	(35)	(43)	(48)	(51)	(59)	(63)	(64)	(65)

Sources: Centaline, Midland, BOCI Research estimates

SMALL/MID-CAP

Charles LAW / Sarah XING

HK listed – Outperform

- We continue to recommend Lung Kee, which has seen the market overlook its record profit. We also recommend Xingye Copper, on which we recently initiated coverage.

Xingye Copper (0505.HK/HK\$1.85) – Outperform

Xingye Copper will release its 2007 annual results on April 16 and we expect earnings to be in line with our forecast. We expect Xingye's production capacity to increase from 60,000tonnes in 2007 to 90,000 tonnes in 2009. Since shortage in the supply of high precision copper plates and strips in China still persists, we believe the market will readily accept additional capacity. Xingye's overseas sales only accounted for 16.2% of the total in 1H07. Overseas sales will be minor contributor in future. The strong domestic demand provides solid support for the company's growth. The price of copper is expected to remain steady in 2008, which gives Xingye a stable margin outlook. So, any copper price hike will put pressure on its gross margin, although its earnings will remain unaffected. Xingye's shares trade at an undemanding P/E multiples of 5.7x for 2008E and 4.7x for 2009E. We will review our valuation after the release of its annual results. For now, we maintain our target price of HK\$3.00 and reaffirm our **Outperform** call.

Lung Kee (0255.HK/HK\$3.65) – Outperform

Lung Kee reported that its net profit for 2007 surged 103% YoY to HK\$306m. The profit surge was ahead of our forecast by about 11% and driven by two key factors. First, the company completed the expansion of its Heyuan plant in Guangdong, leading to a 27% YoY rise in sales. Lung Kee relocated its factory from Dongguan to Heyuan in 2006, resulting in some loss of revenue and start-up costs. The operational inefficiency is best reflected in the deliberate increase in Lung Kee's workforce to secure some buffer. Since late 2H06, Lung Kee has been able to streamline its operations in Heyuan. Operating expenses, including staff costs, fell from 34% of sales in 2006 to 32% in 2007. Second, despite the rise in the price of mould steel, it was milder than in the corresponding period last year. Given its bargaining power over fragmented clientele of mould makers across numerous industries, Lung Kee was able to adjust its product prices upward. Raw material costs dropped from 50% of sales in 2006 to 49% last year. All told, EBITDA margin improved 5% to 19.4%. Using a fair P/E of 12x against our revised 2008 earnings estimate, we raise our target price for Lung Kee from HK\$7.21. **Outperform.**

Xingye Copper – Profit and Loss

Year ended 31 Dec	2005	2006	2007E	2008E	2009E
Revenue (Rmb m)	641	1,512	1,924	2,317	2,910
Change (%)	36.8	135.9	27.2	20.4	25.6
Net profit (Rmb m)	48	107	151	177	217
Fully diluted EPS (Rmb)	0.108	0.237	0.252	0.282	0.342
Change (%)	48.6	120.3	6.5	11.8	21.2
P/E (x)	17.1	7.5	6.6	5.7	4.7
CFPS (Rmb)	0.223	0.042	0.256	0.200	0.224
P/CF (x)	8.3	42.4	6.5	8.0	7.1
EV/EBITDA (x)	-	-	5.3	4.5	3.7
DPS (Rmb)	0.129	0.191	0.063	0.071	0.087
Yield (%)	8.1	12.0	4.0	4.5	5.5

Sources: Company data, BOCI Research estimates

Lung Kee – Profit and Loss

Year ended 31 Dec	2006	2007	2008E	2009E	2010E
Turnover (HK\$ m)	2,135	2,702	3,098	3,466	3,813
Change (%)	12	27	15	12	10
Net profit (HK\$ m)	150	306	408	518	599
EPS (HK\$)	0.24	0.49	0.66	0.84	0.97
Change (%)	(38)	101	33	27	16
Core P/E (x)	15.6	7.5	5.5	4.4	3.8
EV/EBITDA (x)	7.7	4.9	3.8	3.2	2.9
DPS (HK\$)	0.11	0.23	0.33	0.42	0.48
Yield (%)	3.0	6.3	9.0	11.4	13.2

Source: Company data, BOCI Research estimates

TELECOMS (China)

Allan NG

HK listed – Marketperform

A shares – Marketperform

- China has created a new Ministry of Industry and Information with the merger of the Ministry of Information Industry, the State Council Information Office, the National Defence Science Commission and certain departments of the National Development and Reform Commission (NDRC). The new “super-ministry” is charged with promoting the use of information technology in the manufacturing industry.

China Unicom (0762.HK/HK\$16.50; 600050.SS/Rmb7.96) – Outperform (H); Marketperform (A)

As a result of China Unicom’s lower-than-expected 2007 profit, we have trimmed our earnings forecast by 5.6% to Rmb9.3bn (EPS: Rmb0.683) for 2008 and 3.6% to Rmb11.16bn (RPS: Rmb0.82) for 2009. We have also lowered our A-share earnings forecast by 2% for 2008 and 2.6% for 2009. Our target prices are unchanged and we reiterate our **Outperform** rating for the red chips and **Marketperform** call for the A-shares.

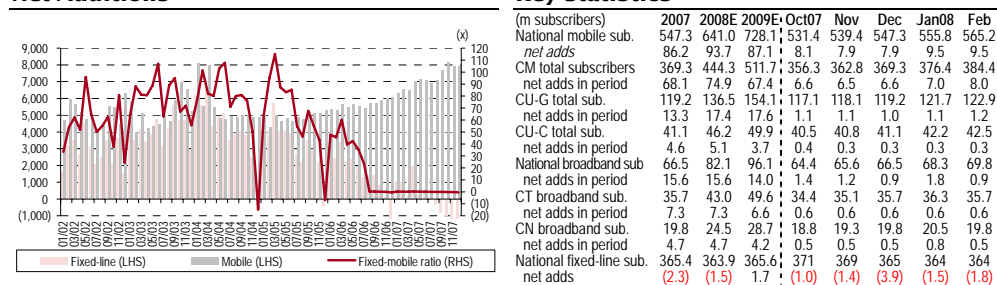
China Mobile (0941.HK/HK\$123.80) – Underperform

Following the better than expected 2007 results we have raised our profit forecasts by 8.8% to Rmb110bn (EPS: Rmb5.51) for the current year and 2.2% to Rmb116bn (EPS: Rmb5.811) for 2009. We have left our target price unchanged on concern that accelerated capex will have some negative implication on the DCF valuation. We reiterate our **Underperform** rating on the stock.

China Netcom (0906.HK/HK\$23.50) – Underperform

Due to Netcom’s disappointing 2007 results, we have cut our earnings forecast by 8.8% to Rmb9.87bn (EPS: Rmb1.468) for 2008 and almost 13% that for 2009. We have, however, left our target price unchanged assuming a 15x 12-month forward P/E ratio.

Fixed-line and Mobile Networks’ Monthly Net Additions



Sources: MII

Sources: MII, Company data, BOCI Research estimates

TELECOMS (Hong Kong)

Allan NG

HK listed – Underperform

- Industry regulator OFTA has received 15 submissions from the public (including two individuals and 10 carriers) on the consultation for the issuance of unified carrier licences.

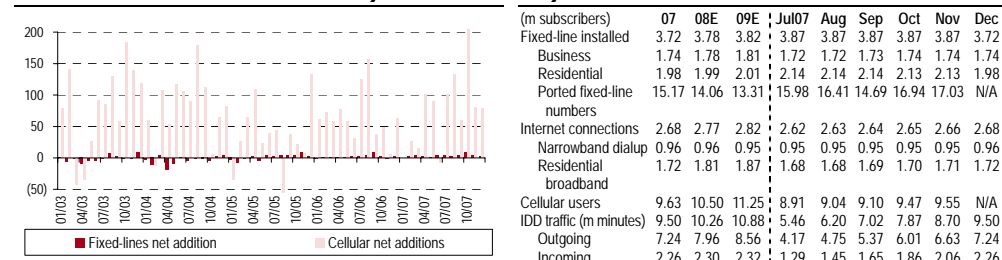
Hutchison Telecom International (2332.HK/HK\$11.24) – Underperform

Due to HTIL’s lower-than-expected 2007 profit, we have cut profit forecasts by nearly 8% to HK\$1.99bn (EPS: HK\$0.417) for 2008 and about 10% to HK\$2.51bn (EPS: HK\$0.526) for 2009. However, we are leaving our target price unchanged. Maintain **Underperform**.

PCCW (0008.HK/HK\$4.94) – Underperform

As a result of PCCW’s lower-than-expected profit, we have cut our profit forecast by 9% to HK\$2.29bn (EPS: HK\$0.339) for the current year. This still represents a hefty 50% YoY growth, to be achieved with a higher contribution from its luxury property development project and a turnaround in its mobile and IPTV divisions. Using 17x of 12-month forward P/E, we are leaving our target price unchanged at HK\$5.67 and reiterate our **Underperform** call.

Fixed-line and Mobile – Monthly Net Adds



Sources: MII, China Mobile (HK), China Unicom, BOCI Research

Sources: MII, China Mobile (HK), China Unicom, BOCI Research

TRANSPORT – Aviation

Du Jianping

HK listed – Outperform

A listed – Outperform

- The Civil Aviation Administration of China (CAAC) has been folded into the Ministry of Transportation (MOT), but remains an independent bureau. Li Jiayang, the former head of CAAC, has been appointed as the vice minister of MOT and head of the CAAC

Air China (0753.HK/HK\$6.78; 601111.SS/Rmb16.09) – Outperform

Air China reported that its net profit for 2007 came in up 30.4% YoY at Rmb3.9bn, while revenue rose 14.6% to Rmb49.7bn. The basic EPS for 2007 amounted to Rmb0.33, while return on equity (ROE) came in at 12.4%. Air China's revenue passenger kilometres (RPK) in February rose 9.7% YoY to 5,333m, while its passenger load factor (PLF) edged up 0.5ppt YoY to 76.8%. The company's 2007 results were in line with our previous expectation. Although we are optimistic about the profitability of the company's core aviation business, we trim our 2008 EPS forecast to Rmb0.53 due to hikes in oil prices. Moreover, because the consolidation of the China airlines sector has been put off temporarily, we have lowered our target price for the H shares from HK\$12.85 to HK\$6.92, based on 15x 2008E P/E. As for the A shares we have cut our target price from Rmb30.66 to Rmb18.63, based on 35x 2008E P/E. We reaffirm our **Outperform** calls on the H and A shares of the company.

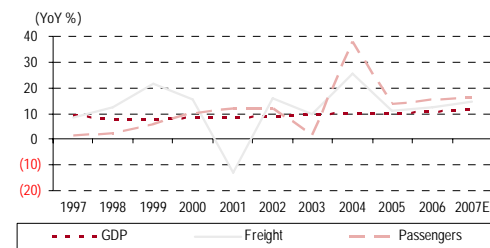
China Southern Airlines (1055.HK/HK\$6.00; 600029.SS/Rmb14.93) – NR

CSA's RPK in February rose 12.8% YoY to 6932m, while PLF grew 0.8ppt YoY to 73.9%.

China Eastern Airlines (0670.HK/HK\$3.78; 600115.SS/Rmb11.92) – NR

CEA's RPK in February rose 5.3% YoY to 4401m, while PLF fell 1.0ppt YoY to 70.9%.

Passengers, Freight & GDP YoY Growth



Sources: NBS, BOCI Research estimates

Key Statistics

	05	06	07	Sep07	Oct	Nov	Dec	Jan08	Feb
RPK YoY %									
Air China	13	15	14	7	7	9	9	18	10
CSA	67	12	15	15	16	19	22	22	13
CEA	32	38	12	14	15	16	16	14	5
Passenger loading factor (%)									
Air China	74	76	77	83	83	79	76	77	77
CSA	70	72	73	78	72	75	73	74	74
CEA	69	71	70	75	76	76	71	72	71

Sources: Bloomberg, Company data, BOCI Research estimates

TRANSPORT – Land

Patrick Li

HK listed – Outperform

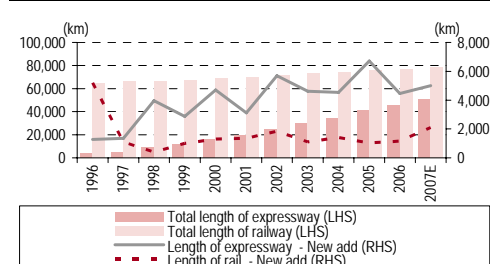
A listed – Outperform

- In accordance with the "Reform Proposal for Institutions of the State Council", the reformed Ministry of Communications and Transport was formed on 23 March 2008 with the merger of the Ministry of Communications, the CAAC and the Ministry of Construction's municipal passenger transportation. Its main duty is establishing layouts, policies and standards for transport industry and harmonizing development among land transport, water transport as well as aviation.

Xiandai Investment (000900.SZ/Rmb22.23) – Outperform

Xiandai Investment reported that its 2007 net profit surged 105% YoY to Rmb589m, as core revenue came in up 41% YoY at Rmb1.59bn. Its gross margin widened from 79.2% to 82.6%. The results came in higher than our forecast mainly due to the toll-by-weight mechanism implemented in May 2007, which gave a big boost to toll revenue. We believe that the expansion of the Hunan Expressway network will drive traffic growth in future. Moreover, wholly owned company Hunan Dayou Futures has received official financial futures qualification, shifting its operating range to financial futures brokerage and commodity futures brokerage businesses. This will not have any material impact on the 2008 EPS. However, it will have a positive influence on the company in the long term. We have lowered our EPS forecast for 2008 from Rmb1.755 to Rmb1.728 for 2008, but raised that for 2009 from Rmb1.915 to Rmb1.981. Based on 19x P/E, which is a slightly discount to the average sector target 2008PE of 20x, we have cut our target price from Rmb35.10 to Rmb32.80. However, we reaffirm our **Outperform** call on the stock.

Total Length of Railway and Expressway



Sources: MOC, CEIC

Key Statistics

	06	07	08E	Aug07	Sep	Oct	Nov	Dec	Jan08
Railway									
Passenger carried (person, bn)	1,267	1,394	1,548	135	115	121	103	107	119
Passenger turnover (person-km, bn)	662	728	809	70	60	61	51	51	65
Freight carried (tonne, bn)	2,890	3,121	3,371	265	260	271	259	269	267
Freight turnover (tonne-km, bn)	2,176	2,307	2,445	200	196	206	204	210	202
FAI (Rmb bn)	204	322	507	42	20	20	22	n.a.	n/a
Road									
Passenger carried (person, in bn)	18	20	21	2	2	2	2	2	2
Passenger turnover (person-km, in bn)	1,014	1,091	1,174	95	95	103	95	96	98
Freight carried (tonne, bn)	15	16	17	1	1	1	1	2	1
Freight turnover (tonne-km, bn)	965	1,070	1,187	94	98	99	99	1147	95
FAI (Rmb bn)	628	749	880	65	76	65	70	n.a.	n/a

Sources: CEIC, MOC, BOCI Research estimates

TRANSPORT – Marine

Jimmy LAM, CFA

**HK listed – Outperform
A shares – Marketperform**

- The Baltic Dry Index (BDI) continued to rebound in March, rising 6.1% from 7,613 to 8,081. The year-to-date average closing of the index stood at 7,377.9.
- The very large crude carrier (VLCC) rate softened 7.9% in March to close at WS87.5. The year-to-date average closing was WS97.9.

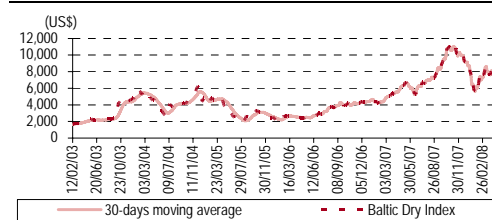
China Shipping Development (1138.HK/HK\$25.40; 600026.SS/Rmb28.32) – Outperform

CSD's 2007 results were in line with our forecasts. We reaffirm our view that the company will continue to benefit from the positive environment in the dry-bulk shipping market. In view of the change in CSD's effective tax rate from 15% to 25% as of 1Q08, we have cut by 7.9% our 2008 earnings forecasts. We reaffirm our **Outperform** ratings on CSD's H and A shares, with target prices lowered to HK\$28.70 from HK\$30.20 and to Rmb44.00 to Rmb40.80, respectively. Should the relevant authorities confirm that the statutory tax rate for CSD lower than 25%, we will revise our forecasts and target prices accordingly.

Sinotrans Shipping (0368.HK/HK\$4.95) – Outperform

The 2007 earnings of Sinotrans Shipping Ltd (SSL) came in on par with our forecast. We have adjusted our earnings forecasts slightly to 2008 and 2009 profit forecasts slightly to US\$307.6m for 2008 and to US\$334.9m for 2009. We maintain our positive view on the dry-bulk shipping market in 2008, which will benefit SSL's core business operations. Meanwhile, with the US\$1.37bn cash on hand after its listing, we believe SSL has the financial strength to expand its fleet capacity more aggressively, either through further newbuildings, second-hand purchases, as well as M&As. Management has said that SSL is in the process of making such moves and intends to finalise plans in 2H08. At such, we strongly believe that the business scale of SSL will be greatly enhanced. Thus, we reaffirm our **Outperform** rating on SSL, and retain our target price of HK\$8.45.

Baltic Dry Index (BDI) Trend



Sources: Bloomberg

Key Statistics

% YoY	05	06	07E	Jun07	Jul	Aug	Sep	Oct	Nov
Shenzhen	19	14	10	18	8	11	19	9	15
Shanghai	24	20	25	18	18	18	12	18	17
Dalian	22	21	20	24	4	19	15	15	35
Tianjin	26	24	28	17	18	23	19	19	21
Qingdao	23	22	24	33	20	18	17	19	15
Xiamen	16	20	18	24	14	10	19	25	(2)
Ningbo	30	36	30	34	30	30	26	25	18
Guangzhou	42	41	40	40	45	37	36	24	24

Sources: MOC, BOCI Research estimates

UTILITIES (China)

Viola YIP, CFA

**HK listed – Outperform
A shares – Outperform**

- We have seen a nice rebound in the sector as valuations become attractive after the sell off at the beginning of the year. However, we believe that sentiment may be affected adversely with the announcement of the 1Q08 results this month, which are likely to be very bad on significantly higher coal costs and no tariff increases, not to mention the impact of the snowstorms on some. That should provide buying opportunities as the chance for a tariff hike increases in 2H08.

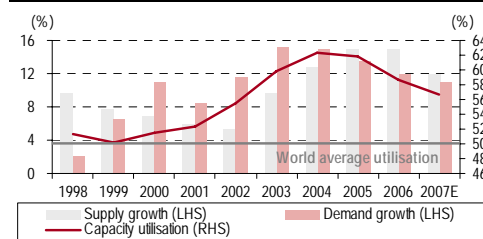
Huaneng Power (0902.HK/HK\$6.29; 600011.SS/Rmb8.83) – Outperform

We have downgraded our 2008E earnings forecast for Huaneng Power (HNP) by around 36%. We have now factored in no tariff hike in 2008 with a 15% increase in unit coal costs. While we believe that there is a chance that tariff will be increased in 2H08, we have put in a worst-case scenario to assess the valuation. Under such a scenario, HNP would be trading on 14x 2008E P/E and 11x 2009E P/E, with a dividend yield of over 5%. We believe that the valuation is not demanding. We have cut our target price from HK\$11.00 to HK\$8.80, which represents 16x 2009E P/E and 3.8% dividend yield. For the A shares, we have cut our target price from Rmb17.20 to Rmb13.80.

China Resources Power (0836.HK/HK\$17.32) – Outperform

We believe that China Resources Power (CRP) is one of the best quality listed independent power producers. We still expect it to deliver a net profit CAGR of over 10% in the next three years. The company's return on equity (ROE) is 16.1%, mildly below the 16.7% in 2006. Its financing costs are also the lowest at an average of 6.5% with cheap financing from its corporate bonds that China Resources National Corp issued. Its gearing is also relatively low in the sector at 76%. The few factors not favourable relative to the sector include its relatively high tariff and its current low tax rate as a foreign enterprise. Moreover, given the current high ROE, we believe it is hard for the company to secure new projects for enhancement to the overall return. The stock trades at a premium of around 35% premium to the sector at 2009E P/E of 14.4x. We have lowered our target price from HK\$21.60 to HK\$18.00 at 17x 2009E P/E.

Electricity Supply Demand and Utilisation



Sources: The Electric Power Industry of China, BOCI Research estimates

Key Statistics

% YoY	2006				2007			
	1Q	1H	9M	FY	1Q	1H	9M	FY
Generation growth	10	10	10	10	10	10	10	10
CR Power	28	15	16	20	64	68	60	40
China Power Int'l	71	59	52	19	(7)	12	20	22
GD Power	10	7	5	7	5	5	4	4
Guangdong Electric	2	1	(2)	(3)	5	5	10	12
Huadian Power	(1)	9	10	12	20	22	25	27
Huaneng Power	3	2	5	6	8	10	14	18
Yangtze Power	9	(6)	(7)	(8)	1	27	30	28

Sources: Company data, BOCI Research estimates

UTILITIES (Hong Kong)

HK listed – Underperform

Viola YIP, CFA

- While the two Hong Kong electricity companies are default candidates for defensive holdings under the current volatile investment environment, we believe that the gas companies are also attractive with the defensive nature of the Hong Kong business and the significant growth potentials in China.

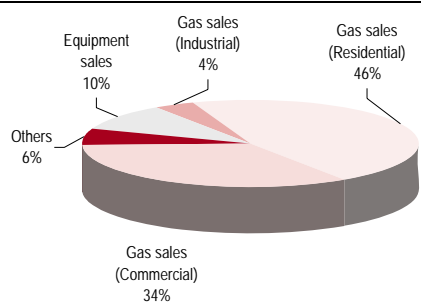
Hong Kong & China Gas (0003.HK/HK\$23.15) – Outperform

Hong Kong & China Gas (HK Gas) reported a 2007 net profit of HK\$9.27bn, up 58%YoY. The stellar performance was largely due to exceptional gain of HK\$2.2bn from the Panva deal. The company also recorded property earnings of HK\$4.0bn. The earnings per share from principle activities amounted to HK\$0.531, up 3% YoY. HK Gas declared a final DPS of HK\$0.23, as well as a 1 for 10 bonus issue. We have raised our target price from HK\$20.00 to HK\$23.50, at 2009E P/E of 25x, to reflect HK Gas' resilient business nature with growth potential. With a core ROE of around 17%, we believe HK Gas' valuations are not demanding.

Towngas China (1083.HK/HK\$3.28) – Outperform

Trading at 2009E P/E ratios of 11.4x, the valuation of Towngas China (TGC) is, in our view, not demanding. We believe that the company has set up a very good platform for good growth for coming years, with the support from HK Gas. In fact, HK Gas further increased its stake by 37.5m shares in 2007, with the current shareholding standing at 45.3%.

Turnover of Hong Kong & China Gas



Key Statistics

% YoY	06	07	08E	Sep07	Oct	Nov	Dec	Jan08	Feb
Electricity									
Domestic	(1.1)	(0.5)	(0.5)	1.4	(1.2)	3.8	(4.3)	12.1	42.9
Commercial	2.2	1.0	1.2	0.0	2.4	(4.2)	3.6	10.2	(2.4)
Industrial	4.2	1.0	0.7	(7.8)	(7.2)	(8.8)	(3.9)	10.4	(11.7)
Street lighting	2.0	1.0	1.0	(11.4)	0.0	0.0	3.0	(5.3)	3.1
Exports to the mainland	0.7	1.0	1.0	(41.7)	(20.2)	9.5	24.5	27.5	96.3
Total	0.7	0.8	0.8	(4.3)	(1.0)	(2.5)	3.8	13.4	11.5
Gas									
Domestic	(2.3)	(0.8)	(0.5)	(4.2)	(3.3)	(0.3)	6.7	(0.6)	4.2
Commercial	1.2	1.0	1.3	0.4	3.7	1.6	(1.0)	1.6	0.0
Industrial	0.6	1.0	1.0	(1.3)	(2.9)	4.2	(7.8)	4.1	(2.6)
Total	(0.8)	(0.0)	0.0	(2.0)	(0.2)	0.8	2.7	0.4	2.4

Sources: Company data, BOCI Research estimates

Sources: Company data, BOCI Research estimates

BOCI Stock Universe

China – HK

RIC Company	Price Y/E	1M chg (%)	YTD chg (%)	3M avg. daily T/O (HK\$ m)	Free float mkt.cap.^ (HK\$ m)	EPS 08E	EPS 09E	P/E 08E	P/E 09E	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target (HK\$)	
Automotive																	
2357 AviChina (H)	Dec	1.64	(16)	(20)	20	2,742	(0.01)	0.01	-	-	80	200	0.0	0.0	Eric Hu	U	0.88
1114 Brilliance Auto (R)	Dec	1.40	(7)	(20)	18	3,132	0.08	0.09	18.0	15.8	-	14	0.0	1.6	Eric Hu	MP	2.24
0203 Denway Motors (R)	Dec	3.73	1	(26)	97	17,384	0.38	0.41	9.9	9.1	17	9	4.8	5.1	Eric Hu	OP	4.10
0489 Dongfeng Motor Group (H)	Dec	3.97	(9)	(28)	92	11,288	0.53	0.63	7.4	6.3	17	19	2.2	2.8	Eric Hu	OP	6.30
0300 Kunming Machine (H/A)	Dec	6.49	(28)	(40)	6	487	0.82	1.05	7.9	6.2	44	28	5.6	7.4	SHI Qi	OP	27.75
0425 Minth Group (P)	Dec	7.80	(9)	(32)	7	4,169	0.61	0.85	12.8	9.2	33	39	0.8	1.3	Eric Hu	OP	15.30
1122 Qingling Motors (H)	Dec	1.33	(2)	(13)	4	990	0.06	0.07	24.0	20.0	0	20	1.7	1.7	Eric Hu	OP	2.79
2338 Weichai Power (H/A)	Dec	30.05	(21)	(47)	46	3,757	4.75	6.58	6.3	4.6	18	39	3.2	4.4	Eric Hu	OP	76.60
Average			(12)	(28)	36	43,950	0.90	1.21	12.3	10.1	30	46	2.3	3.0			
Chemicals																	
0549 Jilin Qifeng (H)	Dec	0.41	(15)	(31)	0	107	0.13	0.23	3.1	1.8	53	72	19.0	19.0	Ni Xiaoman	U	0.95
0338 Shanghai Petrochem (H/A)	Dec	2.94	(15)	(39)	66	6,774	0.07	0.28	40.1	10.3	(64)	288	0.0	3.0	Lawrence Lau	OP	3.05
0297 Sinoferf HK Hldg (R)	Dec	7.35	(2)	1	154	15,880	0.35	0.45	21.1	16.5	63	28	0.4	0.4	Ni Xiaoman	OP	9.80
1033 Yizheng Chemical (H/A)	Dec	1.72	(18)	(36)	21	2,408	0.05	0.03	32.3	59.6	(66)	46	0.0	0.0	Lawrence Lau	U	1.22
Average			(13)	(26)	60	25,169	0.15	0.25	24.1	22.0	(22)	121	0.1	1.1			
Conglomerates																	
0291 China Resources (R)	Dec	25.75	(3)	(23)	195	28,781	1.00	1.24	25.7	20.7	15	24	1.6	1.9	Ashley Cheung	MP	26.60
Average			(3)	(23)	195	28,781	1.00	1.24	25.7	20.7	15	24	1.6	1.9			
Consumer Products																	
2020 Anta Sports Products (P)	Dec	8.27	(2)	(24)	45	5,148	0.34	0.48	24.4	17.3	82	41	1.2	1.7	Ashley Cheung	OP	15.90
0506 China Foods (R)	Dec	4.47	(4)	(23)	37	3,244	0.21	0.27	21.3	16.6	24	29	2.9	3.8	-	OP	5.70
0359 China Haisheng Juice (P)	Dec	1.79	(10)	(8)	2	967	0.15	0.17	12.3	10.7	21	15	2.2	2.5	Frank Lai	OP	1.79
0904 China Green	April	8.51	(5)	2	26	4,056	0.48	0.58	17.8	14.7	8	21	1.6	1.8	Jenny Chan	OP	12.15
0828 Dynasty Fine Wines (R)	Dec	1.74	(12)	(44)	5	607	0.14	0.16	12.7	10.8	16	18	4.5	5.1	-	U	2.80
0493 Gome Electrical	Dec	17.74	(1)	(10)	190	26,271	0.73	0.92	24.5	19.3	94	26	1.3	1.9	Ashley Cheung	OP	23.70
1169 Haier Electronics (P)	Dec	1.24	(13)	(25)	1	625	0.16	0.20	7.8	6.1	19	0	3.4	4.3	-	OP	3.35
0124 Kingway Brewery (R)	Dec	1.64	(15)	(25)	3	2,007	0.00	0.00	-	0.0	0	0	0.0	0.0	-	U	0.96
2319 Mengniu Dairy (P)	Dec	22.20	13	(22)	245	21,210	1.00	1.35	22.2	16.4	32	36	1.2	1.6	Zhao Zongjun	OP	34.02
2331 Li Ning (P)	Dec	21.30	(13)	(27)	106	6,610	0.74	1.01	28.6	21.0	46	36	1.6	2.1	Ashley Cheung	OP	27.60
0751 Skyworth (P)	Mar	0.70	(16)	(41)	2	887	0.10	0.12	7.0	5.8	11	20	5.7	5.7	-	OP	1.10
2618 TCL Communication (R)	Dec	0.27	(18)	(13)	2	683	0.00	0.00	-	-	100	0	0.0	0.0	-	U	-
1070 TCL Multimedia (R)	Dec	0.33	(27)	(38)	7	654	0.06	0.07	5.5	4.7	(100)	(17)	0.0	0.0	-	OP	0.91
0322 Tingyi (P)	Dec	10.70	8	(15)	48	13,560	0.00	0.00	-	0.0	0	0	2.4	0.0	-	U	1.05
0168 Tsingtao Brewery (H/A)	Dec	22.80	4	(13)	68	14,932	0.79	1.02	28.9	22.3	29	30	1.6	1.7	Zhao Zongjun	MP	31.85
3331 Vinda International	Dec	2.56	(19)	(39)	8	935	0.22	0.35	11.6	7.3	144	59	2.3	3.5	Sarah Xing	OP	4.80
2698 Weiqiao Textile (H)	Dec	9.67	(1)	(13)	18	4,041	1.67	1.79	5.8	5.4	(4)	7	5.2	5.5	Frank He	U	8.20
2088 Xiwang Sugar (P)	Dec	3.15	(8)	(6)	7	972	0.65	0.81	4.9	3.9	34	25	5.4	7.2	Jenny Chan	OP	5.80
8259 Yantai North Andre Juice (H)	Dec	0.61	(9)	(22)	3	449	0.13	0.08	4.9	7.7	(78)	(37)	6.2	3.8	Jenny Chan	OP	1.40
Average			(8)	(21)	43	107,858	0.40	0.49	15.0	10.6	25	16	2.6	2.8			
Consumer Services																	
0308 China Travel (R)	Dec	3.58	(12)	(30)	66	7,497	0.00	0.00	-	0.0	0	0	0.0	0.0	-	NR	-
2006 Jin Jiang Hotel (H)	Dec	2.35	(20)	(27)	35	3,842	0.10	0.13	23.3	18.5	49	26	1.9	2.3	Kitty Cheung	OP	5.15
0980 Lianhua Supermarket (H)	Dec	9.90	(10)	(6)	6	2,032	0.56	0.69	17.8	14.4	22	24	2.1	2.6	Frank Lai	U	11.80
1832 Times	Dec	2.90	(6)	(22)	1	634	0.20	0.26	14.7	11.2	46	31	3.8	3.8	Ashley Cheung	OP	4.10
8277 Wumart Stores (H)	Dec	6.38	9	(4)	0	4,297	0.36	0.45	17.7	14.2	32	25	1.7	3.5	Ashley Cheung	OP	9.15
Average			(8)	(18)	22	3,660	0.24	0.30	18.4	11.7	30	21	1.9	2.4			
Energy																	
0606 China Agri-Industries (R)	Dec	4.84	(12)	(7)	648	7,363	0.42	0.48	11.5	10.0	27	15	1.6	1.8	Lawrence Lau	OP	6.60
1898 China Coal (H/A)	Dec	14.90	(6)	(39)	649	50,493	0.72	1.03	20.6	14.5	23	42	1.0	1.4	Lawrence Lau	OP	21.40
2883 China Oilfield Services (H/A)	Dec	12.84	(11)	(28)	172	19,681	0.79	0.87	16.2	14.8	32	9	1.5	1.6	Lawrence Lau	OP	16.00
0883 CNOOC (R)	Dec	12.22	1	(8)	1,894	153,546	0.98	0.99	12.5	12.3	23	1	2.5	2.6	Lawrence Lau	OP	16.27
0857 PetroChina (H/A)	Dec	10.44	(4)	(25)	3,007	218,070	0.96	0.83	10.9	12.6	0	(13)	4.1	3.6	Lawrence Lau	OP	11.36
1088 Shenhua Energy (H/A)	Dec	32.95	(14)	(29)	1,279	112,069	1.52	1.75	21.6	18.8	25	15	1.4	1.6	Lawrence Lau	OP	45.15
0386 Sinopec (H/A)	Dec	8.18	(7)	(37)	1,694	137,589	0.82	0.98	11.7	10.8	8	3	2.0	2.4	Lawrence Lau	OP	8.77
1171 Yanzhou Coal (H/A)	Dec	11.68	(4)	(24)	331	22,977	1.02	1.33	11.4	8.8	42	29	2.4	2.6	Lawrence Lau	OP	18.70
Average			(7)	(25)	1,209	721,788	0.91	1.03	14.3	12.5	22	15	2.1	2.3			

China – HK

RIC Company	Price Y/E (03/04/08)	1M. chg (%)	YTD. chg (%)	3M avg. chg daily T/O	Freefloat mkt. cap.*	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E 08E (x)	P/E 09E (x)	EPS gr. (%)	EPS gr. (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK\$)	
Financials																	
3988 Bank of China (HUA)	Dec	3.57	12	(6)	1,386	296,510	0.34	0.47	10.4	7.7	41	35	4.0	5.6	Yuan Lin	OP	4.45
3328 Bank of Communications (HUA)	Dec	10.06	13	(8)	955	69,003	0.73	0.87	13.7	11.6	53	18	2.5	3.0	Yuan Lin	OP	11.90
0998 China Citic Bank (HUA)	Dec	4.48	9	(8)	174	18,287	0.38	0.44	11.9	10.1	48	18	3.5	4.0	Yuan Lin	OP	5.80
0939 China Construction Bank (HUA)	Dec	6.52	15	(1)	2,439	161,147	0.48	0.57	13.7	11.5	43	19	3.6	4.4	Yuan Lin	MP	7.33
0165 China Everbright (R)	Dec	15.66	(6)	(37)	249	11,242	1.49	1.42	10.5	11.0	(53)	(5)	1.0	0.9	K.W. Wong	OP	19.60
0966 China Insurance (R)	Dec	18.38	(3)	(14)	63	10,174	0.12	0.55	153.2	33.4	(89)	358	0.1	0.3	K.W. Wong	OP	21.40
2628 China Life (HUA)	Dec	29.60	2	(27)	4,145	217,527	1.51	1.59	19.6	18.6	(1)	5	2.9	3.1	Yuan Lin	OP	31.79
3968 China Merchant Bank (HUA)	Dec	29.95	15	(6)	1,069	79,759	1.69	1.84	17.7	16.3	46	9	1.1	1.5	Yuan Lin	OP	25.90
0133 CM China Direct Investments	Dec	31.00	4	(13)	16	2,681	-	-	-	-	-	-	-	-	K.W. Wong	NR	-
1398 ICBC (HUA)	Dec	5.88	13	5	2,549	584,692	0.43	0.52	13.6	11.3	63	21	4.0	4.7	Yuan Lin	OP	7.30
2328 PICC (H)	Dec	7.83	(1)	(30)	330	27,045	0.50	0.58	15.7	13.5	19	16	4.6	5.4	Yuan Lin	OP	12.60
2318 Ping An (HUA)	Dec	63.05	13	(25)	1,263	864,940	1.57	2.01	40.3	31.4	(45)	28	0.5	0.7	Yuan Lin	MP	59.00
Average			7	(14)	1,220	2,343,008	0.84	0.99	29.1	16.0	8	49	2.4	2.8			
Industrials																	
0914 Anhui Conch (HUA)	Dec	59.00	5	(13)	206	40,653	2.53	3.13	23.3	18.8	35	24	0.8	1.0	Grace Tang	MP	53.00
1800 China Com. Construction (H)	Dec	18.50	(7)	(10)	1,334	74,051	0.59	0.81	31.4	22.8	29	38	1.0	1.3	Jimmy Lam	OP	20.00
390 China Railway (HUA)	Dec	7.87	(12)	(27)	1,079	1,699	0.26	0.36	29.8	21.8	102	37	0.8	1.1	Patrick Li	OP	11.25
3323 China National Bldg Material (H)	Dec	19.84	(19)	(34)	222	15,906	0.90	1.32	22.1	15.0	138	47	1.0	1.5	Grace Tang	OP	30.94
3339 CIMH (P)	Dec	7.17	(39)	(42)	50	3,748	0.73	0.94	9.8	7.6	12	29	4.0	5.1	Eric Hu	OP	9.30
3898 CSR Times Electric (H)	Dec	6.75	(27)	(41)	25	3,080	0.34	0.54	19.9	12.5	42	59	0.4	0.6	SHI Qi	OP	16.20
1072 Dongfang Elec. Machinery (HUA)	Dec	29.50	(32)	(55)	44	5,018	3.53	0.00	8.4	0.0	4	0	4.5	0.0	-	OP	40.00
0317 Guangzhou Shipyard Int'l (HUA)	Dec	23.65	(18)	(46)	54	3,725	2.90	3.38	8.2	7.0	49	16	2.5	4.7	-	OP	55.70
0350 Jingwei Textile (HUA)	Dec	2.32	(10)	(33)	2	419	0.47	0.60	5.0	3.9	27	29	64.1	82.8	-	OP	12.30
2689 Nine Dragons Paper (P)	Jun	7.07	(46)	(64)	199	9,067	0.70	1.03	10.1	6.8	31	48	2.0	3.0	Charles Law	OP	14.93
1893 Sinoma	Dec	6.30	(21)	(34)	431	7,334	0.21	0.32	30.5	19.6	11	56	1.0	1.5	Lawrence Lau	MP	8.28
2002 Sunshine Paper	Dec	3.80	(18)	(45)	2	899	0.51	0.73	7.4	5.2	39	43	2.0	2.9	Charles Law	OP	8.50
3393 Wason Meter (P)	Dec	3.31	(11)	(30)	5	1,190	0.33	0.42	9.9	7.8	30	27	4.0	5.0	SHI Qi	OP	6.30
505 Xingye Copper (P)	Dec	1.85	(22)	(54)	27	319	0.31	0.38	6.0	4.9	12	21	4.2	5.4	Sarah Xing	OP	3.00
Average			(20)	(38)	322	15,737	1.29	1.21	16.8	11.6	47	33	8.1	10.1			
Media																	
1000 Beijing Media Corp (H)	Dec	4.15	(12)	(17)	1	298	0.26	0.26	16.1	15.8	2800	2	5.4	5.4	Allan Ng	U	9.00
8002 Phoenix TV (P)	Dec	1.08	(23)	(36)	4	880	0.06	0.06	18.9	18.6	8	2	1.8	1.9	Allan Ng	OP	1.70
0205 SEEC Media (P)	Dec	0.35	(10)	(29)	0	306	0.00	0.00	-	0.0	0	0	0.0	0.0	Allan Ng	NR	-
0811 Xinhua Winshare (H)	Dec	3.30	6	(36)	5	1,348	0.46	0.47	7.2	7.0	4	3	2.7	2.7	Allan Ng	OP	9.10
Average			(10)	(29)	3	708	0.19	0.20	17.5	11.5	936	1	2.4	2.4			
Metals & Mining																	
0347 Angang New Steel (HUA)	Dec	19.04	(4)	(11)	358	16,945	1.45	1.86	13.2	10.2	10	29	3.1	3.1	Belle Chan	OP	21.00
2600 CHALCO (HUA)	Dec	13.60	(7)	(16)	675	52,578	0.77	1.03	17.8	13.2	(22)	35	1.3	1.7	Belle Chan	U	10.50
1053 Chongqing Iron & Steel (HUA)	Dec	2.74	(12)	(30)	8	1,508	0.27	0.21	10.3	13.0	(17)	(21)	3.6	2.8	Belle Chan	U	2.60
2626 Hunan Non-ferrous Metals (H)	Dec	3.150	(18)	(36)	63	4,310	0.24	0.29	12.9	10.9	38	18	2.5	2.8	Belle Chan	MP	4.12
0358 Jiangxi Copper (HUA)	Dec	15.74	(10)	(18)	497	4,447	1.58	1.31	10.0	12.0	1	(17)	3.0	2.5	Belle Chan	MP	14.63
3330 Lingbao Gold (H)	Dec	3.55	(30)	(26)	16	984	0.56	0.74	6.4	4.8	150	34	5.3	7.5	Belle Chan	OP	10.00
0323 Maanshan Iron (HUA)	Dec	4.27	(7)	(17)	131	7,442	0.40	0.43	10.7	9.9	16	8	3.4	3.6	Belle Chan	U	3.90
1862 Sino Gold (P)	Dec	50.30	(14)	5	9	9,104	1.42	3.48	35.4	14.4	(282)	145	0.0	0.0	Belle Chan	OP	74.50
3833 Xinjing Xinxin Mining (H)	Dec	5.63	(24)	(36)	10	3,882	0.37	0.49	15.4	11.5	(11)	33	1.6	2.2	Belle Chan	OP	7.80
2899 Zijin Mining (H)	Dec	7.17	(30)	(41)	501	28,266	0.28	0.35	25.6	20.5	47	25	2.1	2.8	Belle Chan	OP	19.90
Average			(16)	(22)	227	129,467	0.73	1.02	15.7	12.0	(7)	29	2.6	2.9			
Pharmaceuticals																	
0874 Guangzhou Pharm. (HUA)	Dec	5.65	(12)	(24)	6	1,237	0.59	0.56	9.6	10.2	61	(6)	2.6	3.1	-	OP	11.10
8069 Tong Ren Tang Tech. (H)	Dec	10.68	(18)	(26)	3	934	1.23	1.48	8.7	7.2	16	20	4.6	5.5	-	OP	23.00
Average			(15)	(25)	5	2,171	0.91	1.02	9.1	8.7	38	7	3.6	4.3			

China – HK

RIC Company	Price Y/E (03/04/08)	1M. chg (%)	YTD. chg (%)	3M avg. chg daily T/O	Freefloat mkt. cap.*	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E 08E (x)	P/E 09E (x)	EPS gr. (%)	EPS gr. (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK\$)	
Property																	
3383 Agile Property (P)	Dec	8.90	(12)	(37)	276	13,869	0.81	1.16	10.9	7.7	62	43	2.7	3.9	Kitty Cheung	OP	19.00
2868 Beijing Capital Land (H)	Dec	3.14	(12)	(34)	20	3,019	0.37	0.46	8.5	6.8	29	25	4.8	6.1	Kitty Cheung	MP	3.70
0588 Beijing North Star (HUA)	Dec	3.18	(16)	(34)	11	1,674	0.29	0.00	11.1	0.0	20	0	2.3	0.0	-	U	1.90
0688 China Overseas (R)	Dec	15.40	8	(4)	596	57,959	0.87	1.21	17.7	12.7	33	40	1.0	1.4	Kitty Cheung	OP	16.30
1109 China Resources Land (R)	Dec	15.12	9	(12)	232	23,172	0.53	0.90	28.6	16.8	738	70	1.2	1.6	Manfred Ho	OP	16.40
2007 Country Garden (P)	Dec	7.23	(1)	(20)	139	20,108	0.52	1.07	13.9	6.8	74	104	2.1	4.5	Kitty Cheung	OP	7.56
3900 Greentown China (H)	Dec	7.82	(14)	(36)	31	4,404	1.70	2.60	4.6	3.0	46	52	6.6	10.2	Kitty Cheung	OP	19.00
0563 Neo-China Group (P)	Apr	5.09	0	(26)	7	17,005	0.73	0.74	7.0	6.9	43	1	3.1	4.4	Kitty Cheung	OP	13.20
2337 Shanghai Forte (H)	Dec	3.16	(2)	(26)	22	1,108	0.00	0.00	-	0.0	-	0	0.0	0.0	-	NR	-
1207 Shanghai Real Estate (P)	Dec	1.41	(12)	(29)	10	1,024	0.34	-	4.2	0.0	28	0	6.9	0.0	-	MP	1.96
0604 Shenzhen Investment (R)	Dec	3.53	(9)	(37)	64	5,225	0.59	1.47	6.0	2.4	28	149	5.1	12.5	Kitty Cheung	OP	10.60
0272 Shui On Land (P)	Dec	7.30	(2)	(20)	204	13,748	0.70	0.64	10.4	11.3	58	(8)	2.1	2.0	Kitty Cheung	MP	8.93
3377 Sino-ocean Land (R)	Dec	8.10	1	N/A	204	3,481	0.47	0.70	17.3	11.6	9	49	2.3	3.4	Kitty Cheung	OP	8.90
Average			(5)	(26)	140	148,447	0.61	0.91	11.2	6.1	110	40	3.2	3.9			
Technology																	
3355 ASMC (H)	Dec	0.23	(18)	(40)	0	109	0.08	0.11	2.9	2.2	15	34	0.0	0.0	-	OP	1.10
1211 BYD (H)	Dec	14.14	(1)	4	35	2,138	3.45	3.76	4.1	3.8	8	9	4.9	5.3	-	OP	42.90
0861 Digital China (R)	Mar	4.99	(12)	(12)	8	3,172	0.44	0.50	11.3	10.0	83	14	2.6	3.0	-	U	5.00
0992 Lenovo Group (R)	Mar	5.25	1	(25)													

HK - HK

RIC Company	Y/E	Price (03/04/08) (HK\$)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (HK\$ m)	Free float mkt. cap. (HK\$ m)	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK\$)
Consumer Products																	
1388 Embry Form	Jun	4.00	(22)	(35)	2	403	0.34	0.42	11.8	9.5	31	24	4.3	5.3	Charles Law	OP	10.33
0330 Esprit	Jun	94.00	(2)	(19)	566	97,121	4.37	5.05	21.5	18.6	17	16	3.5	4.1	-	OP	93.00
0420 Fountain Set	Aug	1.27	(5)	(36)	3	645	0.35	0.42	3.6	3.0	25	20	14.2	16.5	-	U	2.50
0709 Giordano	Dec	3.14	(4)	(16)	23	4,591	0.22	0.25	14.2	12.6	12	13	7.0	7.0	Frank He	OP	3.80
0393 Glorious Sun	Dec	3.99	(5)	(16)	1	1,674	0.33	0.38	12.1	10.5	14	15	5.3	6.0	-	OP	4.70
0494 Li & Fung	Dec	30.00	7	(5)	341	63,333	1.07	1.24	28.0	24.2	23	16	2.9	3.3	-	MP	26.00
0590 Luk Fook Holdings	Mar	4.78	(15)	(35)	4	1,246	0.49	0.57	9.8	8.4	29	16	5.2	6.1	Charles Law	U	6.87
1382 Pacific Textiles	Mar	1.57	(7)	(26)	2	1,170	0.39	0.43	4.0	3.7	0	10	43.9	8.3	Frank He	OP	4.20
0589 Ports Design	Dec	23.05	1	(15)	33	7,855	1.00	1.32	23.1	17.4	29	32	2.7	3.6	Frank He	OP	30.00
0178 Sa Sa	Mar	2.83	(17)	(11)	6	1,208	0.18	0.22	15.7	12.9	13	22	6.4	7.8	Charles Law	U	2.63
0321 Texwinca	Mar	5.51	(8)	(21)	8	3,071	0.57	0.72	9.7	7.7	21	26	6.5	7.8	Frank He	OP	7.50
0333 Top Form	Mar	0.55	(8)	(38)	1	391	0.07	0.11	7.9	5.0	(42)	57	7.3	9.1	Charles Law	OP	1.23
Average			(7)	(23)	83	182,707	0.78	0.93	13.4	11.1	14	22	9.5	7.2			
Consumer Services																	
0341 Café de Coral	Mar	15.10	(5)	(21)	8	4,197	0.86	1.03	17.6	0.0	26	0	3.7	0.0	Charles Law	OP	20.66
1212 Lifestyle	Dec	18.20	(5)	(13)	47	9,901	0.69	0.78	26.4	23.3	15	13	1.5	1.7	Charles Law	OP	27.61
0052 Fairwood	Mar	9.03	(3)	(16)	1	627	0.82	1.03	11.0	8.8	22	26	4.4	5.1	Charles Law	OP	12.34
0035 Far East Consortium	Mar	3.11	(5)	(30)	11	3,120	0.39	0.72	8.0	4.3	21	84	4.3	7.8	-	MP	4.05
0027 Galaxy Entertainment	Dec	5.59	(3)	(24)	25	5,532	0.02	0.26	279.5	21.5	115	(1200)	0.0	0.5	-	OP	10.00
0045 HK&S Hotels	Dec	12.92	4	(6)	17	8,268	0.68	0.75	19.0	17.2	15	10	1.5	1.8	-	U	15.00
0999 I.T.	Feb	2.22	(5)	(23)	6	1,041	0.17	0.21	13.1	10.6	42	24	4.1	5.0	Charles Law	OP	3.08
0200 Melco Int'l	Dec	11.24	5	(4)	65	7,453	0.84	1.40	13.4	8.0	740	66	1.5	2.5	Ashley Cheung	U	13.00
0069 Shangri-La Asia	Dec	21.55	(3)	(12)	64	28,355	0.65	0.84	33.3	25.6	20	30	1.6	2.0	Kitty Cheung	U	19.80
0242 Shun Tak	Dec	10.68	(2)	(13)	57	9,819	0.33	1.22	32.4	8.8	3	270	1.2	4.6	-	OP	13.50
1836 Stella	Dec	13.30	2	(2)	8	2,982	1.36	1.66	9.8	8.0	19	22	7.0	8.8	Ashley Cheung	OP	21.10
0573 Tao Heung	Dec	2.46	(2)	(8)	1	1,058	0.25	0.33	9.8	7.5	19	32	6.1	8.1	Charles Law	OP	5.00
Average			(2)	(16)	28	78,314	0.54	0.82	39.4	6.5	88	(18)	2.4	3.1			
Financials																	
0662 Asia Financial Hldgs	Dec	3.70	(15)	(13)	2	1,527	0.34	0.37	10.9	10.0	(31)	9	3.5	3.8	K.W. Wong	OP	4.50
0023 Bank of East Asia	Dec	41.65	1	(22)	350	54,885	2.60	3.18	16.0	13.1	(1)	22	4.2	4.8	K.W. Wong	OP	51.50
2388 BOC HK (R)	Dec	19.48	4	(11)	542	70,027	1.51	1.68	12.9	11.6	3	11	4.8	5.4	K.W. Wong	OP	26.00
1111 Chong Hing Bank	Dec	18.62	13	0	4	1,903	1.75	1.88	10.6	9.9	51	7	5.3	5.6	K.W. Wong	OP	20.20
0183 CIFH (R)	Dec	4.59	18	(6)	32	7,926	0.61	0.78	7.5	5.9	91	28	1.7	2.2	K.W. Wong	OP	4.60
2356 Dah Sing Banking	Dec	13.70	3	(24)	16	3,190	1.53	1.87	9.0	7.3	78	22	5.2	6.4	K.W. Wong	OP	18.50
0440 Dah Sing Financial	Dec	55.20	(4)	(28)	21	4,970	6.18	7.35	8.9	7.5	47	19	4.0	4.8	K.W. Wong	OP	67.00
0636 Fubon Bank (HK)	Dec	5.82	4	22	13	1,705	0.46	0.49	12.7	11.9	18	7	3.8	4.1	K.W. Wong	U	4.60
0011 Hang Seng Bank	Dec	143.00	0	(11)	577	103,898	9.11	8.50	15.7	16.8	(5)	(7)	4.4	4.6	K.W. Wong	U	143.50
0388 HKEx	Dec	148.50	5	(33)	2,392	149,380	6.30	6.85	23.6	21.7	9	9	4.2	4.6	K.W. Wong	OP	192.00
0005 HSBC	Dec	131.80	9	0	3,936	1,558,878	13.83	13.73	9.5	9.6	10	(1)	5.5	5.6	K.W. Wong	U	116.00
0349 ICBC (Asia) (R)	Dec	19.62	19	(7)	41	7,021	1.66	1.94	11.8	10.1	16	17	4.5	5.2	K.W. Wong	OP	23.90
1389 Ming An (Holdings)	Dec	1.64	(14)	(37)	9	1,320	0.09	0.10	20.8	18.9	(64)	11	1.2	1.2	K.W. Wong	OP	1.50
2888 Standard Chartered	Dec	280.20	11	(3)	41	394,390	16.18	19.96	17.3	14.0	4	23	2.5	3.1	K.W. Wong	OP	294.00
0302 Wing Hang Bank	Dec	115.40	1	(1)	37	17,152	6.16	6.56	18.7	17.6	(10)	6	2.7	2.8	K.W. Wong	MP	100.80
0096 Wing Lung Bank	Dec	131.00	38	37	46	11,549	6.36	7.56	20.6	17.3	8	19	2.4	2.9	K.W. Wong	OP	120.20
Average			7	(8)	537	2,388,195	4.96	5.50	14.4	12.9	17	13	3.8	4.2			
Industrials																	
0057 Cheng Hsong	Mar	3.82	(6)	(18)	2	840	0.56	0.65	6.8	5.9	12	16	7.3	8.4	Charles Law	OP	6.72
0838 EVA Precision Ind.	Mar	2.15	(1)	(28)	1	697	0.37	0.52	5.8	4.1	68	41	5.1	7.4	Charles Law	OP	4.41
2320 Hop Fung	Dec	1.39	(21)	(51)	0	224	0.40	0.52	3.5	2.7	43	30	8.6	11.5	Charles Law	OP	4.82
0179 Johnson Electric	Mar	3.64	0	(15)	15	5,483	0.23	0.27	15.6	13.3	0	17	4.3	4.3	-	U	4.00
2314 Lee & Man Paper	Mar	14.68	(30)	(57)	103	3,828	1.34	2.05	11.0	7.2	33	53	3.2	4.9	Charles Law	OP	30.80
0255 Lung Kee	Dec	3.65	14	3	0	996	0.66	0.84	5.5	4.3	35	27	9.0	11.5	Charles Law	OP	7.90
0635 Playmates	Mar	4.74	19	(37)	2	6,328	0.07	0.09	67.7	52.7	17	29	1.1	1.5	Charles Law	OP	1.31
0669 Techtron	Dec	7.60	3	(2)	33	9,150	0.83	0.95	9.2	8.0	419	14	2.4	2.6	-	U	7.50
0303 V-Tech	Mar	40.30	10	(28)	34	5,998	6.71	7.65	6.0	5.3	15	14	10.0	11.4	Charles Law	OP	80.48
1223 Symphony	Dec	0.66	(1)	(21)	1	429	0.14	0.16	4.7	4.1	27	14	15.2	16.7	Charles Law	OP	1.68
0752 Pico Far East	Oct	1.00	(7)	(54)	6	737	0.16	0.22	6.3	4.5	33	38	10.0	13.0	Charles Law	OP	2.44
0710 Varitronix	Dec	4.50	(3)	(21)	2	1,173	1.00	1.19	4.5	3.8	23	19	13.3	15.8	Charles Law	OP	9.98
0551 Yue Yuen	Sep	24.00	8	(14)	78	14,774	2.00	2.42	12.0	9.9	19	21	3.8	4.5	Charles Law	OP	40.38
Average			(1)	(26)	21	50,656	1.04	1.26	12.2	9.7	60	26	7.5	9.1			

HK - HK

RIC Company	Y/E	Price (03/04/08) (HK\$)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (HK\$ m)	Free float mkt. cap. (HK\$ m)	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK\$)
Media																	
0100 Clear Media	Dec	7.00	8	(14)	1	1,827	0.42	0.35	16.5	19.9	57	(17)	0.0	0.0	Allan Ng	OP	8.80
1097 I-Cable	Dec	1.23	(14)	(23)	1	820	0.09	0.09	14.0	13.5	(3)	3	6.9	6.9	Allan Ng	U	1.47
0685 Mingpao	Mar	1.82	(2)	(4)	0	199	0.11	0.18	16.1	10.3	27	57	4.4	4.9	Allan Ng	OP	1.88
0282 Next Media	Mar	3.08	2	11	3	1,932	0.19	0.22	16.3	14.1	32	16	4.5	5.2	Allan Ng	OP	3.45
0018 Oriental Press	Mar	1.07	(7)	(21)	4	1,080	0.08	-	13.2	0.0	5	0	5.7	0.0	Allan Ng	U	1.14
0583 SCMP	Dec	2.74	0	1	6	2,648	0.24	0.19	11.5	14.2	14	(19)	6.6	6.6	Allan Ng	OP	3.20
0511 TVB	Dec	42.75	3	(9)	28	12,733	3.34	3.69	12.8	11.6	16	10	4.9	5.7	Allan Ng	OP	59.00
Average			(1)	(8)	6	21,237	0.64	0.79	14.3	11.9	15	11	4.7	4.2			
Property																	
2778 Champion REIT	Dec	4.05	(6)	(11)	16	3,959	0.15	0.16	27.0	25.3	(86)	7	8.4	7.7	Kitty Cheung	OP	6.00
0001 Cheung Kong	Dec	119.90	7	(17)	1,												

China – A

RIC	Company	Price (030408) (¥)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS (¥)	EPS (¥)	P/E (x)	P/E (x)	EPS gr. (%)	EPS gr. (%)	Yield (%)	Yield (%)	Analyst	Rec	Target price (¥)
Agriculture																	
002069	Zhangzidao Fishery	66.90	(43)	(30)	73	1,890	2.86	3.76	23.4	17.8	64	31	2.1	2.8	-	OP	91.50
Average			(43)	(30)	73	1,890	2.86	3.76	23.4	17.8	64	31	2.1	2.8			
Automotive																	
600166	Beiqi Foton Auto	9.64	(24)	(27)	83	5,004	0.52	0.57	18.5	16.9	8	10	1.7	1.8	-	MP	13.00
000625	Chongqing Changan (A/B)	8.90	(37)	(53)	170	4,939	0.62	0.75	14.4	11.9	82	21	2.4	3.5	Eric Hu	OP	13.50
000951	CNHTC Jinan Truck	33.00	(45)	(50)	63	3,837	2.88	3.45	11.5	9.6	43	20	2.3	2.7	Eric Hu	OP	72.00
600006	Dongfeng Automobile	5.69	(28)	(34)	92	4,552	0.31	0.34	18.4	16.7	29	10	1.8	2.6	Wang Yusheng	MP	6.80
000800	FAW Car	12.02	(44)	(37)	262	9,197	0.33	0.34	36.4	35.4	(3)	3	1.3	1.4	Eric Hu	MP	20.35
000927	FAW Xiali	6.97	(46)	(52)	78	2,224	0.31	0.45	22.5	15.5	82	45	0.9	1.3	Eric Hu	U	7.75
600660	Fuyao Group Glass Ind.	26.14	(28)	(27)	94	12,063	1.21	1.55	21.6	16.9	32	28	1.9	1.8	Wang Yusheng	OP	38.75
600418	Jianghuai Auto	6.18	(28)	(32)	82	5,178	0.57	0.86	16.0	7.2	84	51	3.7	5.5	Eric Hu	OP	11.50
002048	Ningbo Huaxiang	20.20	(29)	(23)	104	3,657	0.88	1.45	23.0	13.9	69	65	0.1	0.1	Wang Yusheng	OP	33.35
600303	Shuangqiang Automotiv	9.55	(33)	(38)	52	1,102	0.82	0.91	11.6	10.5	52	11	2.6	2.8	-	OP	16.40
600686	Xiamen King Long Motor	21.51	(32)	(5)	114	3,617	0.98	1.28	21.9	16.8	32	31	1.2	1.5	Eric Hu	OP	29.50
000338	Weichai Power (A/H)	63.99	(13)	(26)	153	11,335	4.39	6.09	14.6	10.5	18	39	1.3	1.9	Eric Hu	OP	109.70
000581	Weifu High Tech	14.01	(38)	(25)	122	4,607	0.83	1.20	16.9	11.7	113	45	1.4	3.0	Wang Yusheng	OP	30.00
600066	Zhengzhou Yutong Bus	24.86	(25)	(28)	79	6,861	1.40	1.65	17.8	15.1	49	18	2.8	3.3	Eric Hu	OP	33.00
Average			(32)	(33)	110	5,584	1.15	1.49	18.9	14.9	49	28	1.8	2.4			
Chemicals																	
600299	Blue Star New Materials	38.57	(36)	(20)	85	6,016	1.48	2.22	26.1	17.4	43	50	0.8	0.8	Ni Xiaoman	OP	66.00
000839	CITIC Guocan	25.94	(36)	(25)	351	11,331	0.81	1.59	31.9	16.3	40	96	0.6	0.8	Ni Xiaoman	OP	55.60
600426	Hualu Hengsheng	22.33	(25)	(16)	137	2,716	0.93	1.44	24.1	15.5	43	56	0.4	0.5	Ni Xiaoman	OP	43.20
000422	Hubei Yihua	24.39	(20)	6	269	3,797	-	-	0.0	0.0	-	-	0.0	0.0	Ni Xiaoman	U	4.00
600423	Luzhou Chemical	17.05	(42)	(36)	86	2,648	1.04	1.61	16.3	10.6	70	54	0.5	0.6	Ni Xiaoman	OP	33.30
000792	Qinghai Salt Lake Potash	83.44	(9)	7	253	32,618	2.97	3.59	28.1	23.2	130	21	1.6	1.7	Ni Xiaoman	OP	104.00
000677	Shandong Hailong	16.04	(36)	(31)	168	3,984	1.01	1.33	15.9	12.0	51	32	2.5	1.9	Chen Tian	OP	28.28
600688	Shanghai Petrochem (A/H)	8.79	(30)	(48)	129	20,252	0.06	0.25	154.2	35.6	(67)	333	0.0	0.9	Lawrence Lau	U	10.53
000912	Sichuan Lufianhua	23.64	0	17	85	4,609	-	-	0.0	0.0	-	-	0.0	0.0	Ni Xiaoman	OP	18.00
000731	Sichuan Meifeng	12.31	(35)	(15)	208	2,062	1.28	1.60	9.6	7.7	27	25	4.4	4.5	Ni Xiaoman	OP	32.00
600500	Sinochem Int'l	12.49	(38)	(43)	258	6,426	0.60	0.70	21.0	17.7	34	18	2.0	2.2	Ni Xiaoman	OP	18.00
600309	Yantai Wanhua	30.89	(23)	(19)	201	25,428	1.35	1.77	22.8	17.4	52	31	1.6	1.9	Ni Xiaoman	OP	53.10
600871	Yizheng Chemical (A/H)	6.25	(31)	(41)	27	1,250	0.05	0.03	133.0	250.0	(68)	47	0.0	0.0	Lawrence Lau	U	3.60
600096	Yuntianhua	62.00	(7)	26	148	13,027	1.77	2.14	35.0	28.9	39	21	0.8	1.0	Ni Xiaoman	OP	71.80
600352	Zhejiang Longsheng	12.12	(30)	(30)	101	6,758	0.76	0.97	16.0	12.5	13	28	1.8	2.3	Ni Xiaoman	OP	23.00
Average			(27)	(18)	167	9,528	1.08	1.48	38.1	31.0	31	62	1.1	1.3			
Consumer Products																	
600429	Beijing Sanyuan	6.04	(31)	(33)	53	1,285	0.08	-	77.4	0.0	66	-	0.5	0.0	-	U	2.50
000725	BOE Technology	9.64	(20)	(23)	97	21,167	-	-	0.0	0.0	-	-	0.0	0.0	-	U	1.60
600597	Bright Dairy	9.31	(28)	(27)	90	2,231	0.22	0.26	42.3	35.8	10	18	1.5	1.6	-	U	5.50
600737	COFCO Tunhe	19.43	(38)	2	415	7,821	0.36	0.53	54.0	36.7	71	47	0.8	1.3	-	OP	12.60
000651	GREE	40.80	(23)	(17)	201	20,702	1.73	2.25	23.6	18.1	47	30	1.7	2.2	-	OP	32.90
600202	Harbin Air Conditioning	19.49	(25)	(11)	89	1,965	-	-	0.0	0.0	-	-	0.0	0.0	-	OP	10.40
600060	Hisense	9.52	(30)	(29)	80	1,940	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.29
000016	Konka (A/B)	7.51	(20)	(15)	64	3,207	-	-	0.0	0.0	-	-	0.0	0.0	-	U	2.94
600519	Kweichow Moutai	178.01	(19)	(23)	367	72,579	4.46	6.18	39.9	28.8	46	39	0.9	1.3	Zhao Zongjun	OP	278.00
000568	Luzhou Laojiao	56.50	(25)	(23)	267	25,257	1.68	2.26	33.6	25.0	89	35	1.9	2.5	Zhao Zongjun	OP	80.00
000527	Midea Electric Appliances	30.05	(25)	(19)	219	7,603	1.34	1.45	22.4	20.7	19	8	1.8	1.9	-	U	22.78
600690	Qingdao Haier	15.30	(38)	(42)	219	10,069	0.87	1.06	17.6	14.4	74	22	1.7	2.1	-	OP	17.40
600962	SDIC Zhonglu Fruit Juice	21.03	(32)	(4)	110	2,336	0.80	1.02	26.3	20.6	45	0	0.0	0.0	Zhao Zongjun	MP	24.00
600616	Shanghai First Provisions	17.49	(39)	(36)	119	4,353	0.63	0.77	27.8	22.7	29	22	1.5	1.9	-	OP	35.00
600839	Sichuan Changhong	6.12	(35)	(29)	291	7,783	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.50
600779	Sichuan Swellfun	24.28	(10)	(14)	219	7,128	0.85	1.35	28.6	18.0	107	59	0.3	0.4	Zhao Zongjun	OP	38.90
000100	TCL Corp	5.19	(14)	(11)	262	5,161	-	-	0.0	0.0	0	0	0.0	0.0	-	U	1.63
600600	Tsingtao Brewery (A/H)	24.17	(32)	(38)	106	5,697	0.70	0.91	34.5	26.6	30	30	1.2	1.4	Zhao Zongjun	MP	36.85
600870	Xiamen Overseas Electronic	5.17	(37)	(23)	50	783	-	-	0.0	0.0	-	-	0.0	0.0	-	U	3.13
000729	Yanjing Brewery	16.29	(28)	(23)	298	7,884	0.46	0.56	35.4	29.1	31	22	1.0	1.4	Zhao Zongjun	MP	22.00
000869	Yantai Changyu	68.31	(24)	(20)	61	5,673	1.80	2.33	38.0	29.3	49	29	2.4	3.1	Zhao Zongjun	OP	93.00
000858	Yibin Wuliangye	22.70	(40)	(50)	786	32,658	0.72	1.01	31.5	22.5	57	40	1.3	1.8	-	OP	36.00
600887	Yili Industrial	20.09	(17)	(32)	306	7,459	0.96	1.14	20.9	17.6	20	19	1.7	2.0	-	U	24.00
Average			(27)	(24)	207	11,423	1.10	1.54	24.1	15.9	46	23	0.9	1.1			

Huaqiao in the Middle Kingdom

China – A

RIC	Company	Price (030408) (¥)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS (¥)	EPS (¥)	P/E (x)	P/E (x)	EPS gr. (%)	EPS gr. (%)	Yield (%)	Yield (%)	Analyst	Rec	Target price (¥)
Consumer Services																	
600258	Beijing Capital Tourism	30.92	(28)	(36)	112	2,812	0.30	0.25	102.7	123.7	(43)	(17)	0.4	0.3	Liu Du	U	15.40
600828	Chengdu People's Dept Store	20.92	(20)	(2)	16	1,500	0.65	0.83	32.2	25.2	41	28	0.9	1.2	Liu Du	OP	29.05
000978	Gullin Tourism	15.69	(29)	(33)	26	1,466	0.60	0.80	26.2	19.6	100	33	1.7	1.9	Tracy Feng	OP	28.34
600754	Jinjiang Development (A/B)	14.55	(29)	(28)	46	2,720	0.46	0.53	31.6	27.5	15	15	2.2	2.5	Liu Du	OP	20.50
600832	Oriental Pearl	12.00	(32)	(34)	150	7,373	0.20	0.21	59.7	56.1	18	6	0.4	0.4	Liu Du	U	12.30
600859	Wangfujing Dept ST	36.39	(20)	(28)	113	7,208	1.01	1.37	36.0	26.6	66	36	0.8	1.1	Liu Du	OP	51.20
Average			(28)	(27)	70	3,174	0.20	0.21	59.7	56.1	18	6	0.4	0.4			
Energy																	
601898	China Coal (A/H)	17.39	(14)	0	0	18,303	0.52	0.77	33.4	22.5	15	48	0.7	1.1	Lawrence Lau	MP	18.96
601808	China Oilfield Service (A/H)	23.35	(28)	(32)	354	35,791	0.72										

China – A

RIC	Company	Price (03/04/08) (¥)	1M chg. (%)	YTD chg. (%)	3M avg. daily TIO (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS 08E (¥)	EPS 09E (¥)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (¥)
Industrials																	
600585	Anhui Conch (A#)	56.40	(16)	(23)	112	38,862	2.22	2.77	25.4	20.4	31	25	0.8	1.0	Grace Tang	MP	55.00
600761	Anhui Heli	18.96	(40)	(49)	127	3,384	1.12	1.47	16.9	12.9	24	31	1.8	2.3	Eric Hu	OP	43.90
600973	Baosheng Sci & Tech	20.26	(42)	(45)	41	1,738	1.57	2.09	12.9	9.7	54	33	2.3	4.1	-	OP	39.00
601390	China Railway (A#)	7.73	(14)	(33)	N/A	25,356	0.24	0.34	31.9	23.0	59	39	0.8	1.1	Patrick Li	OP	11.65
600970	China Sinoma	51.56	(28)	(14)	62	4,045	2.22	2.84	23.2	18.2	53	28	2.2	2.8	Grace Tang	OP	80.00
600150	China State Shipbuilding	131.92	(31)	(47)	269	13,408	9.01	13.81	14.6	9.6	106	53	2.0	3.1	-	OP	345.25
600875	Dongfang Electric Mach. (A#)	43.85	(30)	(51)	82	3,335	3.18	-	13.8	0.0	4	0	2.7	0.0	-	OP	50.00
601002	Gem-Year Industrial	6.68	(28)	(35)	57	1,380	0.18	0.34	37.1	19.6	10.0	0	0.6	1.0	SHI Qi	MP	11.90
600685	Guangzhou Shipyard Int'l (A#)	41.82	(22)	(49)	171	6,722	2.67	3.11	15.7	13.4	46	16	1.3	2.2	-	OP	57.05
000528	Guangxi Liugong Machinery	23.75	(35)	(43)	100	6,278	1.58	2.28	15.0	10.4	32	44	2.5	3.6	Eric Hu	OP	52.50
002175	Gullin Guanglu Measuring Instrument	20.50	(28)	(42)	20	297	1.36	2.02	15.1	10.1	60	0	1.5	2.3	Eric Hu	OP	36.00
600312	Henan Pinggao Electric	13.62	(39)	(40)	73	2,114	0.90	1.20	15.1	11.4	43	33	2.2	2.9	-	OP	22.50
600308	Huatai Paper	22.71	(17)	(21)	174	7,880	1.33	1.66	17.1	13.7	47	75	1.2	1.3	Ni Xiaoman	OP	40.00
002097	Hunan Sunward Intelligent	26.84	(36)	(53)	85	1,778	1.56	2.69	17.2	10.0	103	72	2.3	4.0	SHI Qi	OP	62.56
600072	Jiangnan Heavy Industry Co	17.80	(43)	(58)	134	3,871	0.28	0.30	63.6	59.3	33	7	0.3	0.3	-	OP	28.00
000666	Jingwei Textile Mach. (A#)	6.35	(34)	(38)	39	1,443	0.41	0.53	15.5	11.9	27	29	1.9	2.5	-	OP	12.30
600495	Jinxi Axle	14.75	(38)	(41)	25	896	0.69	0.87	21.4	17.0	17	26	1.4	1.8	SHI Qi	OP	26.1
600806	Kunming Machine (A#)	18.75	(31)	(34)	68	1,650	1.11	1.43	16.9	13.1	44	29	1.8	2.3	SHI Qi	OP	38.85
002147	Fangyuan Slewing Ring	38.28	(16)	(14)	24	9,356	1.14	2.04	33.6	18.8	63	79	1.2	2.1	SHI Qi	OP	53.04
600406	Nari Technology Dev.	20.25	(38)	(35)	47	1,580	0.74	0.96	27.4	21.1	28	30	1.1	1.9	-	MP	21.00
600425	Qingsong Building Materials and Chemicals	12.55	(29)	(32)	74	1,039	0.47	0.81	26.7	15.5	52	72	1.8	3.2	Grace Tang	OP	20.00
600031	Sany Heavy Industry	35.33	(36)	(38)	228	15,771	2.27	3.06	15.6	11.5	33	35	1.3	1.7	SHI Qi	OP	76.50
600517	Shanghai Zhixin Electric	46.00	(22)	(19)	41	6,556	1.59	2.76	28.9	16.7	92	0	0.7	1.8	-	OP	64.00
000680	Shantui Construction Mach.	11.63	(31)	(37)	95	6,286	0.86	1.16	13.5	10.0	34	35	1.5	2.0	SHI Qi	OP	25.80
000837	Shanzhi Qinchuan Machinery	13.15	(20)	(21)	44	2,227	0.58	0.70	22.7	18.8	61	21	0.7	0.8	-	OP	20.37
000410	Shenyang Machine Tools	11.15	(38)	(45)	84	3,221	0.53	0.86	21.0	13.0	71	62	0.7	1.2	Eric Hu	MP	19.00
002028	Sleyuan Electric	46.00	(22)	(22)	36	2,433	2.44	3.24	18.9	14.2	38	33	1.6	2.1	-	OP	103.40
000401	Tangshan Jidong Cement	16.41	(30)	(21)	129	8,375	0.86	1.24	19.1	13.2	139	44	4.1	6.0	Grace Tang	OP	27.30
600582	Tian Di Sci. & Tech.	41.19	(28)	(20)	37	4,720	1.67	2.29	24.7	18.0	39	37	0.8	1.1	SHI Qi	OP	68.70
002122	Tianma Bearing	104.18	(31)	(30)	46	3,542	3.71	5.74	28.1	18.1	96	55	0.7	1.1	SHI Qi	OP	172.20
000877	Tianshan Cement	15.34	(20)	(10)	50	2,033	0.79	1.30	19.4	11.8	58	65	2.0	3.4	Grace Tang	OP	19.26
600169	Taiyuan Heavy Industry	27.00	(29)	(25)	56	5,122	1.15	1.56	23.5	17.3	51	38	1.3	1.7	-	OP	46.80
600458	Times New Materials	9.92	(38)	(41)	41	1,073	0.32	0.57	31.0	17.4	88	76	0.6	1.1	SHI Qi	OP	17.1
600089	Xinjiang Tebian Electric Apparatus Stock	19.52	(38)	(40)	327	5,626	0.95	-	20.5	0.0	46	0	2.9	0.0	-	OP	16.25
000425	Xugong Science & Tech.	17.00	(33)	(24)	114	4,818	0.12	0.15	141.7	113.3	50	25	1.2	1.8	SHI Qi	MP	21.00
000157	Zoomlion Heavy Industry	39.00	(33)	(32)	152	16,323	2.39	3.35	16.3	11.6	34	40	0.3	0.4	Eric Hu	OP	83.80
Average																	
			(31)	(33)	92	6,237	1.51	2.10	25.6	17.9	54	34	1.5	2.0			
Media																	
600037	Beijing Gehua CATV	17.04	(39)	(46)	263	5,931	0.40	0.50	42.7	33.8	7	26	0.9	1.2	Allan Ng	U	17.70
600825	Xinhua Media	29.10	(33)	(43)	42	4,584	0.92	1.21	31.7	24.1	32	31	1.0	1.3	Liu Du	OP	42.35
Average																	
			(39)	(46)	263	5,931	0.40	0.50	42.7	33.8	7	26	0.9	1.2			
Metals & Mining																	
000898	Angang New Steel (A#)	20.30	(19)	(33)	565	21,438	1.29	1.66	15.8	12.2	10	29	2.7	2.6	Belle Chan	OP	32.00
600019	Baosteel	11.71	(29)	(33)	1,233	30,760	0.69	0.85	17.0	13.8	(5)	23	2.7	2.7	Belle Chan	U	14.00
601600	CHALCO (A#)	20.78	(35)	(47)	865	25,707	0.84	0.71	24.7	29.3	(13)	(15)	0.8	1.1	Belle Chan	U	18.00
601005	Chongqing Iron & Steel (A#)	6.67	(18)	(23)	53	4,600	0.25	0.19	32.7	42.8	(17)	(24)	1.3	0.1	Belle Chan	U	5.00
000831	Guanlu	17.33	(50)	(43)	233	4,152	1.55	1.69	11.2	10.3	58	9	2.7	2.9	Le Yukun	OP	54.50
600362	Jiangxi Copper (A#)	28.55	(43)	(44)	458	8,265	1.42	1.17	20.1	24.4	1	(18)	1.5	1.2	Belle Chan	MP	34.63
600808	Maanshan Iron (A#)	6.52	(27)	(35)	263	3,788	0.34	0.37	19.1	17.4	2	10	2.0	2.1	Belle Chan	U	6.52
600282	Nanjing Steel	14.81	(33)	(29)	168	6,654	1.27	1.42	11.7	10.4	15	12	3.8	4.3	Xu Minle	OP	23.00
600219	Nanshan Industrial	15.50	(41)	(42)	269	7,769	1.18	1.30	5.5	5.0	11	10	1.2	1.4	Le Yukun	OP	33.00
000629	Panzhuhua Steel	11.06	(23)	(26)	361	20,697	0.48	0.74	13.6	8.8	59	54	2.2	3.3	Xu Minle	OP	16.30
600547	Shandong Gold	119.98	(45)	(29)	207	9,397	6.06	6.32	19.8	19.0	401	4	3.0	3.2	Le Yukun	OP	263.10
000709	Tangshan Iron & Steel	15.03	(34)	(40)	277	16,348	1.19	1.40	12.6	10.8	24	17	4.1	4.9	Le Yukun	OP	26.70
000630	Tongdu Copper	15.43	(33)	(39)	251	8,586	0.91	0.95	17.0	16.2	14	4	1.7	1.9	Le Yukun	OP	22.50
000612	Wanfeng Aluminium	24.43	(48)	(46)	334	7,036	1.86	1.93	13.1	12.7	31	4	2.3	2.4	Le Yukun	OP	46.60
600005	Wuhan Steel	14.29	(26)	(27)	926	40,322	1.09	1.22	13.1	11.7	33	12	3.8	4.1	Le Yukun	OP	19.70
600888	Xinjiang Joinworld	14.12	(41)	(48)	51	1,894	0.72	1.02	19.6	13.8	80	42	0.5	0.7	Le Yukun	OP	30.00
000807	Yunnan Aluminium	13.69	(40)	(44)	210	5,860	0.66	0.74	20.7	18.5	16	12	1.7	3.8	Le Yukun	OP	19.80
000960	Yunnan Tin	33.20	(47)	(50)	256	8,558	1.78	2.30	18.7	14.4	62	29	0.5	0.7	Le Yukun	OP	69.00
Average																	
			(34)	(37)	396	13,134	1.28	1.39	16.9	16.3	42	11	2.2	2.5			

China – A

RIC	Company	Price (03/04/08) (¥)	1M chg. (%)	YTD chg. (%)	3M avg. daily TIO (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS 08E (¥)	EPS 09E (¥)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (¥)
Pharmaceuticals																	
600085	Beijing Tongrentang	21.30	(31)	(39)	92	4,160	0.72	0.88	29.6	24.2	22	22	1.4	1.7	-	MP	28.70
000423	Dong-E E-Jiao	22.51	(31)	(31)	121	8,257	0.60	0.65	37.5	34.6	50	8	1.6	2.2	-	OP	35.50
600332	Guangzhou Pharm. (A#)	10.94	(31)	(36)	50	1,153	0.53	0.51	20.6	21.5	56	(4)	1.3	1.5	-	OP	19.60
600276	Jiangsu Hengrui Medicine	43.92	(18)	(23)	50	10,979	1.08	1.38	40.7	31.8	13	28	0.9	1.1	-	OP	61.50
600535	Tianjin Tasy Pharm.	15.82	(30)	(28)	55	3,397	0.53	0.66	29.8	24.0	47	25					

Germany

RIC	Company	Price (03/04/08) (€)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS 08E (¥)	EPS 09E (¥)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (€)
Agriculture																	
5AB	Asian Bamboo	7.65	(3)	(8)	(48)	0	42	1.45	1.90	5.3	4.0	77	31	1.3	Charles Law	OP	14.48
Average			(3)	(8)	(48)	0	42	1.45	1.90	5.3	4.0	77	31	1.3			
Transport																	
ZEF	Zhong De Waste Tech.	25.25	0	(5)	(24)	0	105	2.10	2.54	12.0	9.9	42	21	0.0	Frank Lai	OP	39.50
Average			0	(5)	(24)	0	105	2.10	2.54	12.0	9.9	42	21	0.0			

Singapore

RIC	Company	Price (03/04/08) (S\$)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (¥ m)	Free float mkt. cap. [^] (¥ m)	EPS 08E (¥)	EPS 09E (¥)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (S\$)
Industrial																	
Midas	Midas Holdings	1.14	14	30	(25)	3	491	0.05	0.06	24.5	18.3	23	33	2.0	Frank Lai	OP	1.91
Average			14	30	(25)	3	491	0.05	0.06	24.5	18.3	23	33	2.0			

NB: Outperform (OP) = $\geq +10\%$ compared with the relevant benchmark index over a 6-month period; Underperform (U) = $\leq -10\%$ compared with the relevant benchmark index over a 6-month period; Marketperform (MP) = $\leq +10\%$ and $\geq -10\%$ compared with the relevant benchmark index over a 6-month period; Not Rated (NR)
[^]: Represents total figures, while others are averages
 * Initiating coverage. Arrows (▲ ▼) indicate a change in recommendation or a change in earnings forecast of 5% during the past month; earnings forecasts for NR stocks are I/B/E/S estimates
 Sources: Reuters, BOCI Research estimates

Calendar of Events

Economic data (China)

	Description	Date
CPI	Mar 08	18/4
Retail Sales	Mar 08	18/4
VAIO	Mar 08	18/4
FAI	Mar 08	18/4

Economic data (Hong Kong)

Unemployment	Mar 08	17/4
CPI	Mar 08	22/4
Retail Sales	Mar 08	29/4
GDP	1Q 08	16/5

Results announcements (China)

Shanghai Petrochem (A/H) (600688.SS)	FY07	4/7/2008
Yizheng Chemical (A/H) (600871.SS)	FY07	4/7/2008
Bank of Beijing (601169.SS)	FY07	4/7/2008
FAW Xiali (000927.SZ)	1Q08	4/8/2008
Sinochem Int'l (600500.SS)	FY07	4/8/2008
Gem-Year Industrial (601002.SS)	FY07	4/8/2008
Yunnan Baiyao (000538.SZ)	FY07	4/9/2008
Jiangsu Hengrui Medicine (600276.SS)	1Q08	4/9/2008
Zhenhua Port Machinery (600320.SS)	FY07	4/9/2008
Shenergy (600642.SS)	FY07	4/9/2008
China Coal (A/H) (601898.SS)	FY07	4/9/2008
Beijing Capital (600008.SS)	FY07	4/10/2008
Jianghuai Auto (600418.SS)	FY07	4/10/2008
Beijing Sanyuan (600429.SS)	FY07	4/10/2008
Jinjiang Development (A/B) (600754.SS)	FY07	4/10/2008
Haitong Securities (600837.SS)	FY07	4/10/2008
CATIC Real Estate (000043.SZ)	FY07	4/11/2008
Tianshan Cement (000877.SZ)	FY07	4/11/2008
China Construction Bank (A/H) (601939.SS)	FY07	4/11/2008
Hubei Chutian Expressway (600035.SS)	FY07	4/12/2008
Jiangnan Heavy Industry Co (600072.SS)	FY07	4/12/2008
Zhejiang Longsheng (600352.SS)	1Q08	4/12/2008
Angang New Steel (A/H) (000898.SZ)	1Q08	4/14/2008
Weifu High Tech (000581.SZ)	FY07	4/15/2008
Shantui Construction Machinery (000680.SZ)	FY07	4/15/2008
Guanlu (000831.SZ)	FY07	4/15/2008
Yantai Wanhua (600309.SS)	1Q08	4/15/2008
Nari Technology Development (600406.SS)	1Q08	4/15/2008
Tianjin Capital (A/H) (600874.SS)	FY07	4/15/2008
Hubei Yihua (000422.SZ)	1Q08	4/16/2008
Wanfang Aluminium (000612.SZ)	1Q08	4/16/2008
Northeast Securities (000686.SZ)	1Q08	4/16/2008
COFCO Tunhe (600737.SS)	FY07	4/16/2008
Weichai Power (A/H) (000338.SZ)	FY07	4/17/2008
Xugong Science & Technology (000425.SZ)	FY07	4/17/2008

Luzhou Laojiao (000568.SZ)	1Q08	4/17/2008
Shandong Hailong (000677.SZ)	1Q08	4/17/2008
Zhangze Electric (000767.SZ)	1Q08	4/17/2008
Maanshan Iron (A/H) (600808.SS)	FY07	4/17/2008
Shenzhen Overseas Chinese Town (000069.SZ)	1Q08	4/18/2008
Dong-E E-Jiao (000423.SZ)	1Q08	4/18/2008
GREE (000651.SZ)	FY07	4/18/2008
Jingwei Textile Machinery (A/H) (000666.SZ)	FY07	4/18/2008
Tangshan Iron & Steel (000709.SZ)	FY07	4/18/2008
CNHTC Jinan Truck (000951.SZ)	FY07	4/18/2008
Guangzhou Baiyun Airport (600004.SS)	FY07	4/18/2008
Poly Real Estate Group (600048.SS)	1Q08	4/18/2008
Yanzhou Coal (A/H) (600188.SS)	FY07	4/18/2008
Gemdale (600383.SS)	1Q08	4/18/2008
Xiamen King Long Motor (600686.SS)	FY07	4/18/2008
Kunming Machine (A/H) (600806.SS)	FY07	4/18/2008
China Merchants Prop (000024.SZ)	1Q08	4/19/2008
Shengyang Machine Tools (000410.SZ)	FY07	4/19/2008
Yibin Wuliangye (000858.SZ)	1Q08	4/19/2008
Yunnan Tin (000960.SZ)	1Q08	4/19/2008
Zhangzidao Fishery (002069.SZ)	1Q08	4/19/2008
Tianjin Tasty Pharmaceuticals (600535.SS)	1Q08	4/19/2008
GD Power Dev (600795.SS)	1Q08	4/19/2008
Sichuan Changhong (600839.SS)	FY07	4/19/2008
China Yangtze Power Corp (600900.SS)	1Q08	4/19/2008
GS Railway(A/H) (601333.SS)	FY07	4/19/2008
Shenzhen Zhenye Group (000006.SZ)	1Q08	4/20/2008
Jinan Disesel Engine (000617.SZ)	1Q08	4/20/2008
Qinghai Salt Lake Potash (000792.SZ)	1Q08	4/20/2008
Sieyuan Electric (002028.SZ)	1Q08	4/20/2008
Chengdu People's Dept Store (600828.SS)	1Q08	4/20/2008
Chongqing Iron & Steel (A/H) (601005.SS)	FY07	4/20/2008
Bank of Nanjing (601009.SS)	1Q08	4/21/2008
Konka (A/B) (000016.SZ)	FY07	4/22/2008
Zoomlion Heavy Industry (000157.SZ)	FY07	4/22/2008
Wuhan Steel (600005.SS)	FY07	4/22/2008
Harbin Air Conditioning (600202.SS)	1Q08	4/22/2008
Blue Star New Materials (600299.SS)	1Q08	4/22/2008
Henan Pinggao Electric (600312.SS)	1Q08	4/22/2008
Jinxi Axle (600495.SS)	1Q08	4/22/2008
Kweichow Moutai (600519.SS)	1Q08	4/22/2008
Fuyao Group Glass Industries (600660.SS)	1Q08	4/22/2008
SDIC Huajing Power (600886.SS)	1Q08	4/22/2008
China Sinoma (600970.SS)	FY07	4/22/2008
Pingdingshan Tian'an Coal (601666.SS)	FY07	4/22/2008
Guangdong Electric (000539.SZ)	FY07	4/23/2008
Sichuan Meifeng (000731.SZ)	1Q08	4/23/2008
Zhong Ke San Huan High-Tech (000970.SZ)	1Q08	4/23/2008
Tianma Bearing (002122.SZ)	1Q08	4/23/2008
Bank of Ningbo (002142.SZ)	FY07	4/23/2008
China Merchants Bank (A/H) (600036.SS)	1Q08	4/23/2008
Xinjinag Tebian Electric Apparatus Stock (600089.SS)	1Q08	4/23/2008
Yuntianhua (600096.SS)	1Q08	4/23/2008
Lanhua Sci-Tech (600123.SS)	1Q08	4/23/2008

China Railway Tielong (600125.SS)	1Q08	4/23/2008
Shuguang Automotive (600303.SS)	1Q08	4/23/2008
Huafa Industrial Share (600325.SS)	1Q08	4/23/2008
Shanghai Zhixin Electric (600517.SS)	1Q08	4/23/2008
Xinjiang Joinworld (600888.SS)	1Q08	4/23/2008
Yitai Coal (B) (900948.SS)	1Q08	4/23/2008
Shenzhen Airport (000089.SZ)	1Q08	4/24/2008
Guangxi Liugong Machinery (000528.SZ)	1Q08	4/24/2008
Yanjing Brewery (000729.SZ)	1Q08	4/24/2008
Sichuan Lutianhua (000912.SZ)	1Q08	4/24/2008
Guilin Tourism (000978.SZ)	1Q08	4/24/2008
Ningbo Huaxiang (002048.SZ)	1Q08	4/24/2008
Hunan Sunward Intelligent (002097.SZ)	FY07	4/24/2008
Shanghai Port (600018.SS)	1Q08	4/24/2008
Beijing Gehua CATV (600037.SS)	FY07	4/24/2008
Zhengzhou Yutong Bus (600066.SS)	1Q08	4/24/2008
Nanjing Steel (600282.SS)	1Q08	4/24/2008
Nanghai Development (600323.SS)	1Q08	4/24/2008
Guoyang New Energy (600348.SS)	1Q08	4/24/2008
Liuzhou Chemical (600423.SS)	1Q08	4/24/2008
Qingsong Building Materials and Chemicals (600425.SS)	1Q08	4/24/2008
Hualu Hengsheng (600426.SS)	1Q08	4/24/2008
Times New Materials (600458.SS)	1Q08	4/24/2008
Shandong Gold (600547.SS)	1Q08	4/24/2008
Offshore Oil Engineering (600583.SS)	1Q08	4/24/2008
Tsingtao Brewery (A/H) (600600.SS)	FY07	4/24/2008
Shanghai First Provisions (600616.SS)	1Q08	4/24/2008
China Enterprise (600675.SS)	1Q08	4/24/2008
SDIC Zhonglu Fruit Juice (600962.SS)	1Q08	4/24/2008
ICBC (A/H) (601398.SS)	1Q08	4/24/2008
TCL Corp (000100.SZ)	1Q08	4/25/2008
Midea Electric Appliances (000527.SZ)	1Q08	4/25/2008
Tongling Nonferrous Metal (000630.SZ)	1Q08	4/25/2008
Minsheng Bank (600016.SS)	1Q08	4/25/2008
Sany Heavy Industry (600031.SS)	FY07	4/25/2008
China Unicom (A/R) (600050.SS)	1Q08	4/25/2008
Jiangxi Ganyue Expressway (600269.SS)	1Q08	4/25/2008
Tian Di Sci. & Tech. (600582.SS)	1Q08	4/25/2008
Qingdao Haier (600690.SS)	FY07	4/25/2008
Wangfujing Dept ST (600859.SS)	FY07	4/25/2008
China Railway (A/H) (601390.SS)	FY07	4/25/2008
Shenzhen Energy (000027.SZ)	1Q08	4/26/2008
Hong Yuan Securities (000562.SZ)	1Q08	4/26/2008
Panzhuhua Steel (000629.SZ)	1Q08	4/26/2008
Shanxi Qinchuan Machinery (000837.SZ)	1Q08	4/26/2008
Xishan Coal (000983.SZ)	1Q08	4/26/2008
Pudong Bank (600000.SS)	1Q08	4/26/2008
Dongfeng Automobile (600006.SS)	1Q08	4/26/2008
China State Shipbuilding (600150.SS)	1Q08	4/26/2008
Beiqi Foton Auto (600166.SS)	1Q08	4/26/2008
Shandong Expressway (600350.SS)	1Q08	4/26/2008
Shanghai Water (600649.SS)	1Q08	4/26/2008
Oriental Pearl (600832.SS)	1Q08	4/26/2008
Xiamen Overseas Electronic (600870.SS)	FY07	4/26/2008

Baosheng Sci & Tech (600973.SS)	1Q08	4/26/2008
Industrial Bank (601166.SS)	1Q08	4/26/2008
Tangshan Jidong Cement (000401.SZ)	1Q08	4/27/2008
Financial Street (000402.SZ)	1Q08	4/27/2008
CITIC Guoan (000839.SZ)	1Q08	4/27/2008
Xiandai Investment (000900.SZ)	1Q08	4/27/2008
Beijing Tongrentang (600085.SS)	1Q08	4/27/2008
Taiyuan Heavy Industry (600169.SS)	1Q08	4/27/2008
Shengyi Sci-Tech (600183.SS)	1Q08	4/27/2008
Nanshan Industrial (600219.SS)	1Q08	4/27/2008
Beijing Capital Tourism (600258.SS)	1Q08	4/27/2008
Huatai Paper (600308.SS)	1Q08	4/27/2008
Sichuan Swellfun (600779.SS)	1Q08	4/27/2008
Daqin Railway (601006.SS)	1Q08	4/27/2008
Lu'an Environmental Energy (601699.SS)	1Q08	4/27/2008
Shanghai Airport (600009.SS)	1Q08	4/28/2008
CITIC Securities (600030.SS)	1Q08	4/28/2008
FAW Car (000800.SZ)	1Q08	4/29/2008
Yunnan Aluminium (000807.SZ)	1Q08	4/29/2008
Baosteel (600019.SS)	1Q08	4/29/2008
Hisense (600060.SS)	1Q08	4/29/2008
Citichamp Dartong (600067.SS)	1Q08	4/29/2008
Hua Xia Bank (600015.SS)	1Q08	4/30/2008
Fujian Expressway (600033.SS)	1Q08	4/30/2008
Bright Dairy (600597.SS)	1Q08	4/30/2008
Anhui Heli (600761.SS)	1Q08	4/30/2008
Xinhua Media (600825.SS)	1Q08	4/30/2008
Yili Industrial (600887.SS)	1Q08	4/30/2008

Results announcements (Hong Kong)

Wasion Meter (P) (3393.HK)	FY07	4/7/2008
Shanghai Petrochem (H/A) (338.HK)	FY07	4/7/2008
COSCO Pacific (R) (1199.HK)	FY07	4/7/2008
Yizheng Chemical (H/A) (1033.HK)	FY07	4/7/2008
Singamas (P) (716.HK)	FY07	4/8/2008
Beijing Enterprises (R) (392.HK)	FY07	4/8/2008
China Travel (R) (308.HK)	FY07	4/8/2008
Mengniu Dairy (P) (2319.HK)	FY07	4/8/2008
China Communications Construction (H) (1800.HK)	FY07	4/8/2008
Shun Tak (242.HK)	FY07	4/8/2008
Symphony (1223.HK)	FY07	4/8/2008
China Haisheng Juice (P) (359.HK)	FY07	4/9/2008
China Coal (H/A) (1898.HK)	FY07	4/9/2008
Varitronix (710.HK)	FY07	4/9/2008
TPV (903.HK)	FY07	4/9/2008
Shenzhen Investment (R) (604.HK)	FY07	4/10/2008
Tao Heung (573.HK)	FY07	4/10/2008
China Construction Bank (H/A) (939.HK)	FY07	4/11/2008
AviChina (H) (2357.HK)	FY07	4/11/2008
China Eastern Airlines (H/A) (670.HK)	FY07	4/14/2008
Angang New Steel (H/A) (347.HK)	FY07	4/14/2008
Guangdong Investment (R) (270.HK)	FY07	4/14/2008
China Power Int'l (R) (2380.HK)	FY07	4/14/2008

China Foods (R) (506.HK)	FY07	4/15/2008
PICC (H) (2328.HK)	FY07	4/15/2008
China Merchants (R) (144.HK)	FY07	4/15/2008
Tianjin Capital (H/A) (1065.HK)	FY07	4/15/2008
China Southern Airlines (H/A) (1055.HK)	FY07	4/15/2008
Lianhua Supermarket (H) (980.HK)	FY07	4/16/2008
Dynasty Fine Wines (R) (828.HK)	FY07	4/16/2008
China Agri-Industries (R) (606.HK)	FY07	4/16/2008
Dongfeng Motor Group (H) (489.HK)	FY07	4/16/2008
China National Building Material (H) (3323.HK)	FY07	4/16/2008
Embry Form (1388.HK)	FY07	4/16/2008
Techtronic (669.HK)	FY07	4/16/2008
Xingye Copper (P) (505.HK)	FY07	4/17/2008
Maanshan Iron (H/A) (323.HK)	FY07	4/17/2008
Shui On Land (P) (272.HK)	FY07	4/17/2008
Weichai Power (H/A) (2338.HK)	FY07	4/17/2008
Glorious Sun (393.HK)	FY07	4/17/2008
Xinhua Winshare (H) (811.HK)	FY07	4/18/2008
Jingwei Textile (H/A) (350.HK)	FY07	4/18/2008
Vinda International (3331.HK)	FY07	4/18/2008
Kunming Machine (H/A) (300.HK)	FY07	4/18/2008
Xiniao Gas (P) (2688.HK)	FY07	4/18/2008
Kingway Brewery (R) (124.HK)	FY07	4/18/2008
Yanzhou Coal (H/A) (1171.HK)	FY07	4/18/2008
Qingling Motors (H) (1122.HK)	FY07	4/18/2008
Galaxy Entertainment (27.HK)	FY07	4/18/2008
Hop Fung (2320.HK)	FY07	4/18/2008
Jilin Qifeng (H) (549.HK)	FY07	4/19/2008
GS Railway (H/A) (525.HK)	FY07	4/19/2008
Jin Jiang Hotel (H) (2006.HK)	FY07	4/20/2008
Chongqing Iron & Steel (H/A) (1053.HK)	FY07	4/20/2008
Beijing Media Corp (H) (1000.HK)	FY07	4/20/2008
Tingyi (P) (322.HK)	FY07	4/21/2008
Brilliance Auto (R) (1114.HK)	FY07	4/21/2008
CSCC (H) (2866.HK)	FY07	4/22/2008
Haier Electronics (P) (1169.HK)	FY07	4/22/2008
China Merchant Bank (H/A) (3968.HK)	FY07	4/23/2008
CSR Times Electric (H) (3898.HK)	FY07	4/23/2008
Hunan Non-ferrous Metals (H) (2626.HK)	FY07	4/23/2008
China Unicom (R/A) (762.HK)	FY07	4/24/2008
Lingbao Gold (H) (3330.HK)	FY07	4/24/2008
Tsingtao Brewery (H/A) (168.HK)	FY07	4/24/2008
ICBC (H/A) (1398.HK)	FY07	4/24/2008
SMIC (P) (981.HK)	FY07	4/25/2008
Wumart Stores (H) (8277.HK)	FY07	4/25/2008
Tong Ren Tang Technologies (H) (8069.HK)	FY07	4/27/2008
Yantai North Andre Juice (H) (8259.HK)	FY07	4/30/2008
Gome Electrical (493.HK)	FY07	4/30/2008
Greentown China (H) (3900.HK)	FY07	4/30/2008
Agile Property (P) (3383.HK)	FY07	4/30/2008
Shanghai Real Estate (P) (1207.HK)	FY07	4/30/2008

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