

Huaqiao in the Middle Kingdom

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Key Market Indices

	Value	1M	YTD
HSI	25,063	3.3	(9.9)
HSCEI	13,663	4.0	(15.3)
HSCEI	5,669	4.8	(7.2)
MSCI HK	12,036	2.3	(14.0)
MSCI China	73	4.5	(14.8)
FTSE-XinhuaA50	14,138	2.1	(30.9)
Shanghai A	3,792	4.8	(31.3)
Shenzhen A	1,153	9.2	(24.2)

	P/E (x)		EPS (chg %)	
	08E	09E	08E	09E
HSI	17.1	15.0	(5.3)	14.2
HSCEI	16.3	13.7	9.7	19.6
HSCEI ex oil	16.4	13.6	14.7	21.1
MSCI HK	18.4	16.7	(20.9)	10.1
MSCI China	16.9	15.0	10.2	19.1
FTSE-XinhuaA50	22.0	18.6	19.8	18.0

Sources: Bloomberg, BOCI Research



- **China-HK recommended stocks:**
In – China Railway Construction, Sinoma.
Out – China Life, China Overseas Land & Investment.
- **HK-HK recommended stocks:**
In – Stella International, Luk Fook Holdings.
Out – Sun Hung Kai Properties, Wing Lung Bank.
- **China-A recommended stocks:**
In –Tianshan Cement, Fujian Dongbai.
Out – China State Shipbuilding, Anhui Heli.

Sector Data	1M % chg.			YTD % chg.			2008 P/E (x)			Rating			Top Recommendations			
	China	HK	China	China	HK	China	China	HK	China	China	HK	China	China	HK	China	
	-HK	-A	-A	-HK	-A	-A	-HK	-A	-A	-HK	-A	-HK	-A	-A	-A	
Agriculture (0,0,1)	-	-	2	(22)	(24)	(24)	-	-	25	-	-	-	China Green	-	None	
Automotive (8,0,17)	10	-	2	(22)	(25)	(10)	9	-	18	OP	-	OP	Denway	-	King Long	
Chemicals (4,0,15)	(5)	-	1	(25)	(10)	(10)	6	-	23	U	↓	OP	Sinofert	-	Y. Wanhua	
Consumer - F & B (11,0,15)	4	-	2	(6)	(9)	(9)	9	-	16	MP	-	OP	Xiwang Sugar	-	Swellfun	
Consumer - Durables (5,0,12)	2	-	2	(3)	(8)	(8)	4	-	13	MP	-	OP	Haier	-	Haier	
Consumer - Textiles (4,10,1)	1	4	0	(2)	(2)	(1)	3	19	1	U	MP	-	Ports Design	Lifestyle	None	
Consumer Services (5,10,7)	8	0	9	(16)	(13)	(19)	13	22	56	U	MP	OP	GOME	Shun Tak	Beijing Tour	
Energy (9,0,12)	9	-	14	(19)	(10)	(10)	16	-	33	OP	-	OP	China Coal	-	Pingdingshan	
Financials (12,15,19)	6	1	6	(7)	(3)	(24)	28	13	20	OP	MP	OP	ICBC	HKE	ICBC	
Industrial (15,14,38)	3	4	5	(10)	(15)	(19)	24	12	25	OP	OP	-	CCC	Pico	Long Yuan Con.	
Media (3,7,6)	15	2	17	(22)	(5)	(25)	17	14	37	U	MP	U	None	Next Media	None	
Metals & Mining (10,0,18)	(3)	-	6	(19)	(26)	(16)	18	-	17	OP	-	OP	Xinxin	-	Shandong Gold	
Pharmaceuticals (4,0,14)	8	-	6	(7)	(14)	(3)	3	-	22	OP	-	OP	TRT	-	Dong-E-E-J	
Property (11,14,15)	4	4	(16)	(15)	(16)	(26)	16	18	17	OP	MP	↓	MP	Sino Ocean	MTRC	Vanke
Technology (9,5,6)	3	17	7	(12)	(12)	(3)	12	11	29	MP	U	U	Lenovo	ASM Pacific	Shengyi Sci	
Telecoms (4,4,1)	3	(1)	22	(6)	(5)	(18)	21	14	41	MP	U	MP	China Unicom	SmarTone	None	
Transport - Aviation (5,2,9)	2	2	(0)	(5)	(2)	(9)	3	3	5	OP	-	OP	Air China	-	SIA	
Transport - Land (6,2,11)	2	2	(0)	(5)	(2)	(12)	3	3	7	OP	MP	OP	Shenzhen Exp	None	Shandong Exp	
Transport - Marine (7,2,8)	2	2	(0)	(6)	(2)	(8)	4	3	5	OP	U	MP	COSCO Pac	Pacific Basin	CSD	
Utilities (10,3,16)	10	(3)	1	(24)	5	(31)	19	17	29	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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Buffetstock – The Oracle Speaks

“I am out of step with present conditions. When the game is no longer played your way, it is only human to say the new approach is all wrong, bound to lead to trouble, and so on. On one point, however, I am clear. I will not abandon a previous approach whose logic I understand (although I find it difficult to apply) even though it may mean foregoing large, and apparently easy, profits to embrace an approach which I don't fully understand, have not practiced successfully, and which possibly could lead to substantial permanent loss of capital.” – Warren Buffett

Followers of Warren Buffett are likely to attribute this quotation as being made in 1999-2000 as the Oracle of Omaha was famous for having eschewed investment in the technology bubble and was dubbed by many as a “dinosaur who doesn't get it”. In fact, the quotation is from a letter to shareholders in 1969 as the US stock market bubble grew. Buffett actually liquidated his investment partnerships during the same year and concentrated on Berkshire Hathaway of which he took control in 1965. A few years later, in an October 1974 *Forbes* article written when the stock market neared the bottom of the bear market that started with the 1973 oil crash, Buffett's response to the question about how he felt was, “like an oversexed guy in a whorehouse. Now is the time to invest and get rich.”

Performance of Berkshire Hathaway versus S&P 500

	Berkshire Hathaway BV/share (1) % Change YoY	S&P 500 with Dividends (2) % Change YoY	Relative Result (1-2)
1965	23.8	10.0	13.8
1966	20.3	(11.7)	32.0
1967	11.0	30.9	(19.9)
1968	19.0	11.0	8.0
1969	16.2	(8.4)	24.6
1970	12.0	3.9	8.1
1971	16.4	14.6	1.8
1972	21.7	18.9	2.8
1973	4.7	(14.8)	19.5
1974	5.5	(26.4)	31.9
1975	21.9	37.2	(15.3)
Total	488.3	157.5	330.9

Source: Berkshire Hathaway

Astute readers will notice a particular trend in Berkshire's performance. Warren Buffett tends to underperform when the market shows abnormally strong gains (i.e. during market bubbles). On the other hand, he tends to outperform massively (by not making losses) when the market collapses. The end result of avoiding major losses in a bear market, while enjoying relatively modest gains in a bull market is a much higher long-term return over the cycle. Which reminds me of one of my favourite investment sayings: “everyone's a genius in a bull market, but the true investment genius can only be found in a bear market.” I am not even sure where this saying comes from (or even if I added the second part myself), but it sure is true. And here we are in the middle of a major market correction (recent market rebound notwithstanding), and investors are asking themselves what must they do?

To answer this, I once again digress to Warren Buffett, who has said that, “The stock market is a semi-psychotic creature given to extremes of elation and despair... Investors should remember that excitement and expenses are their enemies. And, if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy when others are fearful.”

That is a great strategy provided you are Warren Buffett and can hold US\$25bn in idle cash, wait for opportunities and not get fired by your bosses. Unfortunately, most of my readers are institutional investors, who do not have that luxury, a fact even Warren Buffett acknowledged in his 1999 AGM. “I call investing the greatest business in the world because you never have to swing. You stand at the plate, the pitcher throws you General Motors at 47! US Steel at 39! and nobody calls a strike on you. There's no penalty except opportunity lost. All day you wait for the pitch you like; then when the fielders are asleep, you step up and hit it... The problem when you're a money manager is that your fans keep yelling, ‘Swing, you bum!’”

And with markets rebounding, the call for investment managers to take a “swing” at the markets is rising rapidly. I have repeatedly said over the past several months that my personal entry levels into the markets are 10,000-11,000 for the H shares (representing 10-11x 2008 P/E) and 2,800-3,000 for the A shares (representing just over 15x 2008 P/E). I am happy buying in at lower levels and reasonably cheap valuations, which, I think, is necessary given the poor global economic outlook and the crisis in global financial markets. What I will not do is get pulled into a dead-cat bounce, especially after the darned cat has already rebounded 20-30% in a month. As Warren Buffett says, “Price is what you pay. Value is what you get... For some reason, people take their cues from price action rather than from values. What doesn't work is when you start doing things that you don't understand or because they worked last week for somebody else. The dumbest reason in the world to buy a stock is because it's going up.”

A hedge fund manager shared an unquoted piece of advice from this year's Buffetstock during the Q&A session. I share this quote because it seems to be the most un-Buffett-like advice I have heard from him. “There have been a number of times over the years where I have been confident to put 75% of my net worth into an idea. It doesn't happen often, but there are times when you'll see extraordinary opportunities and you should put 75% of your net worth into them. Just don't put in 500% of your net worth.” On closer inspection, this quote is not out of the ordinary for Buffett whose predilection for long-term value investing is often mistaken as being ultra conservative. In his 1993 letter, Buffett notes that “the strategy we've adopted precludes our following standard diversification dogma. Many pundits would, therefore, say the strategy must be riskier than that employed by more conventional investors. We disagree. We believe that a policy of portfolio concentration may well decrease risk if it raises, as it should, both the intensity with which an investor thinks about a business and the comfort-level he must feel with its economic characteristics before buying into it... Diversification is a protection against ignorance. It makes very little sense for those who know what they're doing.”

In fact, I also have to agree with this. When one is young with little to lose, in order to make big wealth you have to take big bets. And if you know what you are doing, the risk is probably not really so high. I may be wrong (I do not think I am, but never preclude the possibility), but I am still bullish on China for the long term and if the markets do correct to my entry levels, I will probably make a big bet on Chinese equities again. Entry price does matter and even Warren Buffett agrees that your ultimate return depends more on your purchase price than on your selling price – especially given his favourite holding period is forever.

Bottom Fishing – Too Late and Too Soon

“The time to buy is when there’s blood on the streets, even if the blood is your own” – Baron Nathan Mayer Rothschild.

In May 2006, I wrote a piece called *Sell in May and Go Away* and quoted a study that showed that “an investor who put US\$10,000 in the Dow Jones Industrial Average at the end of April in every year since 1950 and sold at the end of October each year (i.e. invested for half a year) would have a net loss of US\$272, while someone doing the opposite (i.e. buying at the end of October and selling at the end of April) would have gained US\$534,323”.

In May 2007, I wrote “personally, I think a retrenchment could take [A shares] back down to the 2,800-3,000 range that the market was at before the liquidity-driven rally of the past two months.” In fact, that is coincidentally the same level that I called two months ago and A shares have since bumped off that level for a more than 30% rally. I also wrote that my entry point for H shares would be 10,000-11,000 and investors have already had one shot at entering the market in that range over the past two months. My problem is that since we have already had such a strong bounce over the past month, what do we do now? In this case, I think that “sell in May and go away” might be the best option as I think further upside from current levels is limited and that we probably will get another chance over the next six months to enter the market at my target levels. In other words, I think that this is a sucker’s rally. That is why I titled this section “Too Late and Too Soon”. If you did not buy in over the past two months when the markets bottomed, it is already too late to do so now. If you are looking to bottom fish now, it is too soon as I think markets will fall again over the summer presenting another entry opportunity.

I premise this view on two things. First, valuations have now bounced back from being cheap to being fairly valued (H shares) or slightly over valued (A shares). Second, I cannot see what good news or catalyst will propel markets higher (no, I do not think the Olympics is a catalyst for a stock market re-rating). Essentially, if one believes that markets will continue to rise from current levels, you have to believe that the equity bubble will reflate and that will require good news, not just the absence of further bad news. To be sure, the fuel for a re-inflation of the bubble is abundant as foreign and domestic funds report very high cash levels. It is not liquidity (which is mostly sitting on the sidelines) that is lacking; it is the spark that will ignite the rally that is missing, especially in light of the poor 1Q08 earnings for Chinese equities (see next section). And, with the US pouring cold water on any rally with a continuous stream of bad news about housing, unemployment, consumption, etc; it is hard to see how a rally can sustain.

Having said all this, I once again remind readers that I personally do not think I am that very good at predicting short-term market movements and that even if I get most of the timing and direction right, it is probably more luck than skill. I make this point because some clients have been saying my timing of the peak and bottoms over the past two years has been pretty good. While this is extremely flattering and I am honoured that some of our valued clients think that my advice is useful, rest assured I do not personally take it to heart. I believe the minute I start to think that I am good at picking short-term market movements is exactly the time I will likely get it wrong and lose a lot of money. So, while I am happy to continue to do my best to predict where the market is going over the next few months, bear in mind that my key tool in making such forecasts is the SWAG method (Scientific Wild-Assed Guess).

1Q08 Results – Let the Downgrades Begin

As expected, the 1Q08 results season ended mixed with some sectors showing strong gains and some substantial declines. Overall though, one can fairly say that the results were disappointing and consensus 2008 earnings forecasts have been ratcheted down. Before we go into details, I would like to comment on the methodology used in the compilation of the data. Pulling numbers straight off the Wind database can lead to hugely misleading figures as many of the companies that listed over the past year (and many of them are really large, like PetroChina and China Construction Bank, as they were part of the blue chip reverse A-share listings wave that took place last year) lack the comparison number from 1Q07. Thus, simply summing up the columns would result in a severe flattering of 1Q08 numbers as many of the new listings have a zero for their 1Q07 earnings. To correct for this, we manually went in and estimated 1Q07 numbers by either going through the official company releases and inputting 1Q07 numbers if they were reported and if they did not report a pro-forma 1Q07 number, we used 1H07 numbers divided by two as a proxy. For example, for Chalco, we took the H-shares reported 1H07 number to estimate the 1Q07 earnings as the company did not report a 1Q07 comparable number. I have shown the difference in the table below to illustrate how big a difference the adjustment makes both in aggregate and for individual sectors. Note that mining goes from a huge increase to a decline due to the inclusion of PetroChina, while financials also show a major swing due to bank IPOs.

1Q08 A-share Results Summary by Industry

Net profit (Rmb m)	Unadjusted Raw Figures			Adjusted for 1Q07 Figures		
	1Q07	1Q08	YoY %	1Q07	1Q08	YoY %
Agriculture, forest, pasturing & fishery	422	747	76.9	426	639	50.0
Mining	24,654	55,849	126.5	75,497	52,224	(30.8)
Food & beverages	2,692	4,178	55.2	2,562	4,014	56.7
Textile, clothing, leather & furs	1,442	1,372	(4.8)	1,345	1,253	(6.8)
Timber processing & furniture production	40	43	8.3	37	38	3.8
Papermaking & printing	1,309	1,358	3.8	1,276	1,192	(6.6)
Petrochemicals, chemicals & plastics	4,068	7,830	92.5	3,411	6,875	101.5
Electronics	481	1,587	230.2	769	1,261	64.0
Metal & non-metal	18,188	21,409	17.7	17,341	20,726	19.5
Machinery, equipment & instruments	7,887	12,401	57.2	7,478	11,321	51.4
Pharmaceutical & biotechnology	2,396	2,716	13.3	2,162	2,477	14.6
Other manufacturing	371	415	12.0	329	343	4.4
Power, gas & weather utilities	7,641	2,600	(66.0)	6,118	1,985	(67.6)
Construction	847	2,339	176.3	908	2,061	126.8
Transportation & storage	7,956	19,613	146.5	8,685	18,632	114.5
Information technology	3,231	3,526	9.1	2,480	2,493	0.5
Wholesale & retail	2,678	4,884	82.4	2,408	4,016	66.8
Financials	58,545	134,418	129.6	72,015	132,392	83.8
Property	2,524	4,479	77.5	2,407	4,024	67.2
Social services	1,198	1,139	(4.9)	1,152	1,049	(8.9)
Media & culture	101	180	78.5	117	169	44.5
Conglomerates	1,079	939	(13.0)	876	879	0.4
Total	149,748	284,021	89.7	209,800	270,063	28.7

Sources: Wind database, Company accounts, BOCI Research estimates

Overall, the gains in financial's income more than offset the decline in oil and gas resulting in total 1Q08 A-share earnings rising 29% YoY. Utilities and mining were big losers, but that is not a big surprise given the dismal earnings reported by the independent power producers (IPPs) and oil and gas companies. These two sectors have been hit hard by the government's controls on end-product prices (electricity and refined products), while input costs (coal and oil) continue to rise. In fact, I believe one of the biggest risks of investing in China equities today is the government intervention on prices, which not only causes greater distortions and shortages to the overall economy, but has an enormous impact on the short-term profitability of affected firms (to this, we include other items, such as fertilisers and instant noodles). However, I must add that coal has done reasonably well, but has been overshadowed by the losses in refining at the major petroleum companies given the relative size of earnings and market cap between these two industries is huge.

Food and beverages, chemicals, machinery, construction, transport, wholesale and retail, financial and property showed strong gains. Chemicals were actually very mixed and the majority of the sectors gains were due to a few firms, which posted major losses in 1Q07 returning to profitability. The strength in the transport sector is also misleading as it is primarily due to the inclusion of COSCO and a sharp rebound from loss to profitability for the three airlines. Strong earnings growth in food and beverages and wholesale and retail (as well as agriculture, but that sector is very small) is not surprising because domestic consumption continues to pick up and has been a major investment theme for the past several years. We have also been partial to the machinery and construction sectors as part of our overall strategy set in December, because we believe fixed asset investment and heavy industry will continue to post robust growth. Our only major concern with these two sectors remains the rise in raw material costs (i.e. steel) and their ability to pass on the increased expenses to end users (i.e. margin pressure). We have been positive on financials, but have clearly stated in the past our preference for banks over insurance for this year and this has been reflected in 1Q08 earnings.

Property is the surprising sector and remains the one with the higher risk and highest possible recovery as well in 2008. I believe it is still too early to invest in property and, although I am a long-term bull on Chinese property, I think that this year will still be a year of consolidation. Selling prices are likely to remain under some pressure, especially in Guangdong, while the prospects of smaller developers hitting cash-flow problems and unable to raise funding remain a big overhang on the overall market.

Looking at the whole A-share universe, it is surprising to see that overall margins remain relatively good, although there is some evidence of erosion that started in the middle of last year. As usual, we have excluded financials from our margin calculations to get an idea of how the "industrial" part of the economy is doing (and given that gross margin for financials is not a great benchmark of performance, as all banking analysts know).

Where there has been marked erosion in return on equity (ROE), I attribute it to the huge amount of fund raisings in China last year due to the policy of encouraging the largest H-share companies to do reverse dual-listings in the A shares. If memory serves me correctly, Chinese A shares had one of the largest (if not the largest) volume of equity offerings (including IPOs) in the world in 2007 with, according to Deal Logic, Rmb670bn (US\$90bn) raised. Hong Kong, in comparison, only raised HK\$500bn (US\$64bn). Not surprisingly, such a huge amount of new equity raised has had a short-term detrimental impact on ROE, and I expect this to continue through 2008 as the new capital is slowly deployed.

A-share Universe Historical Profitability and Margins

(Rmb m)	2006	1Q07	1H07	9M07	2007	1Q08
Sales	7,476,468	1,646,405	4,297,148	5,658,965	9,401,950	2,602,135
Sales excluding financial sector	6,441,380	1,365,952	3,574,878	4,616,752	7,908,281	2,137,086
Gross profit excluding financials	1,373,025	250,290	768,171	852,613	1,669,579	419,021
Operating profit	899,537	208,059	653,947	815,249	1,315,707	342,663
Pre-tax profit	913,463	211,884	663,421	828,343	1,364,804	358,526
Net profit	670,952	149,749	485,707	604,104	1,013,111	284,023
Net profit attributable to shareholders	625,482	140,034	455,664	567,045	947,541	270,063
(%)						
Gross margin	21.3	18.3	21.5	18.5	21.1	19.6
Operating margin	12.0	12.6	15.2	14.4	14.0	13.2
Pre-tax margin	12.2	12.9	15.4	14.6	14.5	13.8
Net margin	9.0	9.1	11.3	10.7	10.8	10.9
Net margin attributable to shareholders	8.4	8.5	10.6	10.0	10.1	10.4
ROE (weighted average)	16.9	15.5	18.6	16.3	16.2	13.3

Source: Wind, BOCI Research estimates

No discussion about A-share earnings will be complete without a look at exceptional items and investment gains. In last September's *HQMK*, I pointed out that, despite some very scary figures being quoted by global investment firms that investment gains made up a third of earnings for A shares, the number is patently wrong. In that analysis, we removed the two insurance companies (China Life and Ping An) and discovered that investment income then fell to 20% of the total. Further removing "associate income", which should not really be treated as investment returns (but is included in the Wind database numbers due to their classification system), total investment returns made up about 10% of earnings. A fund manager in New York who said that he could not believe that other big global houses could be so wrong in their calculations challenged my assertion. With all due (and undue) respect, I still think they are wrong and that investment income, while important, is not the major driver of rapid earnings for Chinese corporates.

We can see from 1Q08 numbers that foreign exchange gains (due to the renminbi's appreciation) and "investment income" remain strong, suggesting that, while the huge A-share correction may have impacted on the earnings of insurance companies, the impact on the overall market has not been as huge and that earnings momentum has been maintained, despite the reduction in investment income, which now makes up 20% of total versus 33% a year earlier.

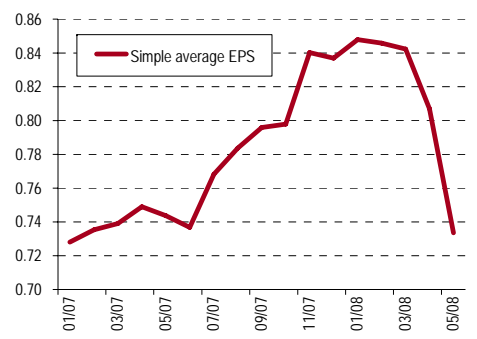
Recurring Income and Investment Gains

(Rmb m)	1Q07	1H07	9M07	2007	1Q08
Net profit	140,034	455,664	567,045	947,494	267,697
Exceptional items					
Net investment income	(47,790)	(134,141)	(181,529)	(281,228)	(61,531)
Exchange gain/(loss)	608	5,140	7,668	13,876	6,090
Recurrent earnings	92,852	326,663	393,183	680,143	212,256
Recurrent earnings to net profit (%)	66.3	71.7	69.3	71.8	79.3

Sources: Wind, BOCI Research

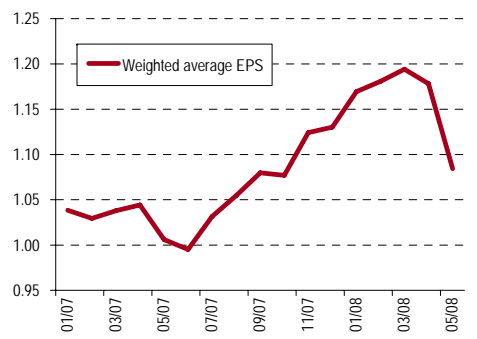
What is of more immediate interest is earnings forecasts, as expected, are now being marked down following the lower-than-anticipated 1Q08 numbers. As the charts below suggest, consensus net profit estimates have been marked down aggressively in the past month due to the 1Q08 earnings. Moreover, the impact on blue chips has been more modest as the weighted average EPS calculation (using market capitalisation to adjust) has had a much smaller decline. This means that although overall earnings forecasts have been overly optimistic, forecasts for small caps have been even more optimistic, which is not surprising as the depth of analyst coverage on the blue chips is likely much better.

FY08 Consensus (Simple Average)



Source: Wind

FY08 Consensus (Weighted Average)



Source: Wind

So, where does this leave us in terms of aggregate market growth and valuations? We constructed the table below using the same consensus forecasts for earnings with the Wind database and also for H shares using consensus numbers from *Bloomberg*. After the recent market rally and earnings adjustments, A shares are trading on about 20x 2008 earnings, while H shares are trading at about 16x 2008 earnings. As I said earlier, this means that A shares are probably slightly over-valued while H shares are probably close to being fairly valued. This supports my current view that, on pure valuations alone, it is hard to be a buyer of the market and that a short-term correction is likely. For the markets to continue to rally, one will have to assume a re-inflation of the bubble and for valuation premiums to return, a condition which I think unlikely given current domestic Chinese inflation and earnings concerns on top of the generally uncertain (some would say shaky) state of global financial markets.

Chinese Equities Earnings Growth and Valuations

	P/E (x)		EPS growth (%)		PEG (x)	
	2007	2008E	2009E	2008E		2009E
China A-Share	27.5	22.5	18.3	22.0	22.9	1.22
Shanghai/Shenzhen 300 Index	26.0	21.7	17.9	20.2	21.3	1.26
SSE 50 Index	24.9	21.2	17.7	17.8	19.9	1.32
HSCEI (H-shares)	18.1	15.6	13.3	16.6	16.5	1.10
A-H Dual listed (A-share earnings)	17.8	14.5	12.0	22.2	20.8	0.83

Source: Wind, Bloomberg, BOCI Research

But one thing does bear further comment and that is the continued gap between A-share (domestic) earnings estimates and H-share (international) earnings estimates. There are currently 54 dual-listed A-H companies. The HSCEI (H-share index) comprises of 42 of the largest H shares (a note to Hang Seng Index Services: The Chinese name for the HSCEI (国企指数 or State-Owned Enterprise Index) is technically incorrect as H shares are not necessarily state owned. However, the overlap between these two indices is huge with 31 of the HSCEI component stocks being dual-listed, accounting for about 90% of the HSCEI (i.e., the 11 non-A share listed HSCEI stocks are relatively small with the notable exception of China Telecom and China Communication Construction, which account for over 3% of the index each). Thus, the A-H universe should be relatively similar to the HSCEI, given the large overlap and, thus, earnings growth and valuations for both indices should be similar. However, I note that, while domestic analysts' 2008 EPS growth forecast for the A-H index is 22%, international investors are only forecasting growth of 16% for the H shares. As both A and H shares reported financial numbers are in renminbi, there should be no forex adjustment. So, this should not impact on the EPS growth numbers or valuations.

For the sake of convenience, I have replicated the entire list of dual-listed A-H shares with their current premiums along with the 2007 reported earnings for the A shares versus the H shares (note that Hisense Kelon and Luoyang Glass have been suspended for a year so their valuation gap severely distorts the simple average premium). The reason I have shown both is to illustrate that, although there are differences between A share numbers reported under Chinese Accounting Standards and H share numbers reported using IFRS, the differential is generally not that huge and should not effect the difference in EPS forecasts between A shares and H shares that much.

In other words, I believe that the reason that the A-H share EPS growth is higher than the HSCEI EPS growth forecast is simply because mainland analysts are still more optimistic about earnings growth than their Hong Kong-based counterparts even after the earnings downgrades following the 1Q08 results announcements. Although the declines in earnings estimates in April/May have been quite substantial, I think it is likely that we will still have some further downgrades of forecasts (although much milder) over the next several months as well. The continued reduction in earnings forecasts over the next several months is also likely to result in a further drag on market sentiment and, in line with my view, cap any further short-term upside, while adding downside risk to share-price movements, given that valuations are no longer cheap.

As a final note, I also see that the A-H premium continues to narrow with most financials along with Anhui Conch and China Railway having relatively small premiums (and the occasional discount, as well). As I wrote previously, I think this trend will continue and, on a weighted average basis, the major contraction in A-share premium will likely be due to PetroChina which continues to trade at a substantial premium. It is also possible (and likely) that smaller dual-listed companies will continue to have very large premiums, but, for large blue chips, the trend towards a narrowing of the valuation gap has already begun and is unlikely to reverse in my opinion.

A-H Dual Listed Shares Premium and Reported Earnings

H-share Code	A-share Code	Company Name	H-share (HK\$)	A-share (Rmb)	A-H prem. (%)	Mkt. cap. (Rmb m)	Wgt. prem. (%)	07 Earnings (Rmb m)		A-H earn. diff. (%)
								H-share	A-share	
1108	600876	Luoyang Glass	0.87	4.58	487.1	1,340	0.04	(100)	(95)	5.0
0921	000921	Hisense Kelon Electric	0.89	5.70	614.2	3,402	0.14	239	250	(4.7)
0553	600775	Nanjing Panda Electronics	2.23	10.06	403.1	4,639	0.13	112	89	25.7
1033	600871	Sinopec Yizheng Chemical	1.55	5.90	324.5	17,288	0.38	22	18	25.2
0719	000756	Shandong Xinhua Pharmaceutical	2.17	6.23	220.2	2,207	0.03	32	33	(2.8)
0187	600860	Beiren Printing	1.96	7.23	311.4	2,504	0.05	5	9	(44.1)
0588	601588	Beijing North Star	3.23	9.78	237.7	28,065	0.45	463	328	41.1
0042	000585	Northeast Electric	1.3	4.58	292.9	3,120	0.06	(311)	(312)	(0.1)
0338	600688	Sinopec Shanghai Petrochemical*	2.97	8.05	202.3	45,417	0.61	1,634	1,592	2.6
0670	600115	China Eastern Airlines	3.38	10.38	242.5	39,009	0.63	269	586	(54.1)
1055	600029	China Southern Airlines	4.89	11.77	168.4	42,819	0.48	1,871	1,852	1.0
1071	600027	Huadian Power International	2.63	5.41	129.4	28,211	0.24	1,197	1,226	(2.4)
0350	000666	Jingwei Textile Machinery	2.22	6.91	247.1	3,283	0.05	162	162	0.0
0358	600362	Jiangxi Copper Company*	17.5	33.33	112.4	76,307	0.57	4,145	4,133	0.3
0874	600332	Guangzhou Pharmaceutical	6.63	13.87	133.3	9,506	0.08	320	335	(4.4)
1065	600874	Tianjin Capital Environment	3.12	13.22	372.5	15,326	0.38	176	184	(4.3)
2600	601600	Aluminum Corp of China*	12.46	22.15	98.2	256,332	1.69	10,245	10,225	0.2
0300	600806	Kuming Machinery	8.68	18.55	138.3	6,669	0.06	241	243	(0.6)
0998	601998	China CITIC Bank*	4.79	6.77	57.6	233,633	0.90	8,322	8,290	0.4
0525	601333	Guangshen Railway*	4.09	5.68	54.9	37,361	0.14	1,431	1,431	0.0
0753	601111	Air China Limited*	5.69	14.16	177.5	133,603	1.59	4,229	3,881	9.0
0386	600028	China Petroleum & Chemical*	7.61	12.17	78.3	965,608	5.06	56,533	54,947	2.9
0548	600548	Shenzhen Expressway	5.2	8.19	75.6	15,228	0.08	674	674	0.1
1171	600188	Yanzhou Coal Mining*	14.92	25.46	90.3	101,597	0.61	3,230	2,693	19.9
0902	600011	Huaneng Power International*	6.1	8.91	62.9	96,924	0.41	6,161	5,997	2.7
2628	601628	China Life Insurance*	32.7	33.43	14.0	914,607	0.86	38,879	28,116	38.3
0995	600012	Anhui Expressway	5.95	6.54	22.6	10,257	0.02	471	517	(9.0)
0323	600808	Maanshan Iron and Steel*	5.16	8.23	77.9	49,390	0.26	2,467	2,475	(0.3)
1072	600875	Dongfang Electric Machinery	30	44.30	64.7	33,241	0.14	2,224	1,990	11.8
0177	600377	Jiangsu Expressway*	6.49	7.98	37.1	37,571	0.09	1,642	1,601	2.6
2318	601318	Ping An Insurance*	69.9	64.08	2.2	467,297	0.07	18,688	15,086	23.9
2338	000338	Weichai Power	43.6	65.30	67.0	30,690	0.14	2,015	2,019	(0.2)
1138	600026	China Shipping Development*	24.95	30.90	38.1	91,760	0.23	4,546	4,596	(1.1)
1398	601398	ICBC*	5.91	6.14	15.9	1,981,642	2.10	81,256	81,256	0.0
0763	000063	ZTE	33.5	67.51	124.7	60,709	0.51	1,252	1,252	0.0
0168	600600	Tsingtao Brewery*	21.9	28.45	44.9	31,463	0.09	539	558	(3.4)
0317	600685	Guangzhou Shipyard	28.6	38.88	51.6	17,155	0.06	939	941	(0.2)
0347	000898	Angang Steel*	20.3	21.93	20.5	154,639	0.21	7,534	7,525	0.1
0914	600585	Anhui Conch Cement*	62.5	60.49	7.9	92,859	0.05	2,480	2,494	(0.6)
3968	600036	China Merchants Bank*	30.05	31.26	16.0	448,290	0.48	15,243	15,243	0.0
1919	601919	China COSCO Holdings*	24.25	30.57	40.6	289,611	0.79	19,478	19,085	2.1
0991	601991	Datang International Power*	5.13	12.92	180.9	124,439	1.51	3,406	3,411	(0.1)
3328	601328	Bank of Communications*	10.6	9.42	(0.9)	463,775	(0.03)	20,274	20,513	(1.2)
1053	601005	Chongqing Iron & Steel	3.24	6.56	125.8	9,405	0.08	449	449	(0.1)
0857	601857	PetroChina*	10.96	17.91	82.2	3,107,652	17.10	145,625	134,574	8.2
3988	601988	Bank of China*	3.88	5.00	43.7	1,153,930	3.37	56,248	56,229	0.0
0939	601939	China Construction Bank*	6.79	7.64	25.5	1,438,591	2.45	69,053	69,053	0.0
1088	601088	China Shenhua Energy*	33.1	50.05	68.6	926,381	4.25	20,581	19,766	4.1
2883	601808	China Oilfield Services*	15.48	27.08	95.1	101,503	0.65	2,238	2,238	0.0
1898	601898	China Coal Energy Co.*	15.4	20.10	45.5	240,739	0.73	6,020	5,171	16.4
0390	601390	China Railway Group*	7.24	7.36	13.4	153,151	0.14	2,423	3,163	(23.4)
1186	601186	China Railway Construction	12.02	11.81	9.6	143,594	0.09	2,301	3,143	(26.8)
2866	601866	China Shipping Container*	3.42	6.41	109.0	62,363	0.45	3,215	3,324	(3.3)
2899	601899	Zijin Mining*	6.99	10.74	71.3	138,294	0.66	2,552	2,548	0.1
			126.8	14,944.398	52	635,342	607,111	4.7		

* Denotes a HSCEI constituent stock
Source: Wind, Bloombergs, BOCI Research

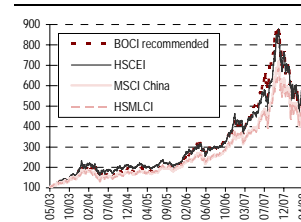
China – HK Strategy

Performance Comparison

		% Change	Since
		1M	YTD
BOCI recommended	8	(20)	463
MSCI China	5	(15)	402
HSMLCI	5	(10)	412
HSCEI	4	(15)	488

* 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	% Chg. Since rec.	Date rec.	Wgt (%)			
China Railway Construction	1186.HK	12.02	-	21,059	37	29	20	0.8	1.3	5	12	0	09-May-08	8
China National Material	1893.HK	7.20	123.4	8,382	33	31	21	1.0	1.4	14	(24)	0	09-May-08	5
Gome Elec. Appliances	0493.HK	18.00	186.5	27,147	28	21	17	1.9	1.9	1	(9)	1	03-Apr-08	2
China Coal	1898.HK	15.40	649.0	63,298	27	20	14	1.0	1.4	3	(37)	3	03-Apr-08	3
Walmart Stores	8277.HK	6.80	10.9	4,579	25	19	15	1.6	3.3	7	3	14	07-Mar-08	4
China Green	0904.HK	10.42	18.2	4,966	23	22	18	1.3	1.5	22	24	24	07-Mar-08	5
ICBC	1398.HK	5.91	2,254.6	587,675	22	14	11	4.0	4.7	1	6	16	07-Mar-08	9
CNOOC	0883.HK	14.08	1,829.4	180,898	18	13	12	2.5	2.5	15	6	19	01-Feb-08	3
Anta Sports Products	2020.HK	9.05	31.2	5,634	48	27	19	1.1	1.6	9	(17)	(19)	04-Jan-08	5
Shanghai Jinjiang Hotel	2006.HK	2.45	16.1	4,006	36	24	19	1.8	2.2	4	(23)	(33)	04-Jan-08	6
Xiwang Sugar	2088.HK	3.18	5.8	981	7	5	4	5.3	7.2	1	(5)	4	07-Dec-07	5
Xinjiang Xinxi Mining	3833.HK	5.73	10.0	3,951	14	16	12	1.6	2.1	2	(35)	(42)	07-Dec-07	3
Sino-Ocean Land	3377.HK	6.74	164.9	2,896	16	14	10	2.8	4.1	(17)	(30)	(53)	02-Nov-07	4
China Agri-Industries	0606.HK	5.39	648.0	8,200	17	12	10	1.3	1.5	11	3	13	07-Sep-07	3
China Everbright	0165.HK	19.14	252.8	13,740	6	13	13	0.8	0.7	22	(23)	(21)	07-Sep-07	6
Guangzhou Shipyard	0317.HK	28.60	55.4	4,505	15	10	8	2.1	3.9	21	(35)	(28)	01-Jun-07	6
Beijing Enterprise	0392.HK	30.00	55.4	10,886	18	18	15	1.3	1.3	(8)	(19)	20	01-Jun-07	3
Tong Ren Tang Tech	8069.HK	11.50	2.5	1,005	11	9	8	4.3	5.1	8	(21)	(25)	30-Apr-07	3
Kunming Machine	0300.HK	8.68	5.3	651	14	9	7	3.2	4.1	34	(20)	45	5-Jan-07	6
CR Power	0836.HK	19.10	176.7	30,985	22	22	18	1.5	1.6	10	(29)	427	7-Jan-04	8
Cash (incl. dividends)														4
Total														100

Note: Bolded stocks are new additions to the recommended list.
Sources: Bloomberg, BOCI Research estimates

Hong Kong Strategy

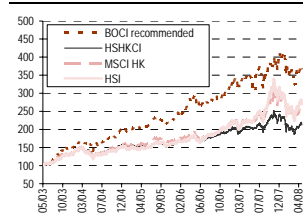
Performance Comparison

	% Change 1M	Since YTD	Since Incept*
BOCI recommended	1	(11)	266
MSCI HK	2	(14)	155
HSHKCI	2	(10)	113
HSI	3	(10)	169

* 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.	Wgt (%)							
				FY07	FY08E	FY09E	FY07E	FY08E	1M	YTD	Since rec.	Date rec.	(%)	
Stella International	1836.HK	11.88	7	2,663	10.4	8.8	7.2	7.9	9.8	(11)	(32)	0	9-May-08	9
Luk Fook	0590.HK	5.18	3	1,351	13.6	10.6	9.1	4.8	5.6	8	(29)	0	9-May-08	9
Dah Sing Financial	0440.HK	57.15	16	5,146	13.6	9.2	7.8	3.9	4.6	9	(26)	4	3-Apr-08	6
New World Dev.	0017.HK	20.00	254	47,258	17.3	10.0	15.5	2.1	2.8	5	(28)	(1)	3-Apr-08	3
HKEx	0388.HK	150.20	1,759	151,091	26.1	23.8	21.9	4.2	4.6	1	(32)	10	7-Mar-08	9
Lifestyle	1212.HK	16.54	47	8,998	27.6	24.0	21.2	1.7	1.9	(9)	(21)	(16)	1-Feb-08	3
Clear Media	0100.HK	6.95	1	1,814	25.7	16.4	19.8	0.0	0.0	(1)	(15)	7	1-Feb-08	6
Ports Design	0589.HK	25.20	31	8,587	32.3	25.1	19.0	2.5	3.3	9	(7)	(11)	4-Jan-08	5
MTR Corporation	0066.HK	26.85	274	35,253	9.9	18.3	15.5	1.7	2.0	(1)	(6)	(16)	4-Jan-08	4
Sino Land	0083.HK	20.05	271	45,984	14.7	16.0	19.7	1.9	2.0	6	(28)	(21)	7-Dec-07	6
GZI REIT	0405.HK	2.93	4	2,022	13.3	14.0	12.2	7.2	8.2	(5)	(5)	(7)	5-Oct-07	10
Next media	0282.HK	3.14	1	1,969	22.0	16.6	14.3	4.5	5.1	2	13	18	29-Jun-07	7
Embry Form	1388.HK	3.11	2	313	10.0	10.0	8.0	3.9	4.8	(22)	(50)	(59)	1-Jun-07	2
Standard Chartered Bank	2888.HK	275.60	39	387,915	17.8	17.0	13.8	2.5	3.1	(2)	(5)	27	9-Mar-07	8
HK & China Gas	0003.HK	19.98	214	65,934	12.0	23.0	21.3	1.8	1.8	(14)	(8)	101	23-May-03	5
Cash (incl. dividends)														8
Total														100

Stocks Removed or Reduced from the BOCI HK-HK Recommended List

Wing Lung Bank	0096.HK	139.60	78	10,202	23.6	27.5	19.6	1.8	2.5	7	46	66	7-Mar-08	5
Sun Hung Kai Properties	0016.HK	135.40	1,404	190,978	15.9	16.3	21.3	1.8	2.2	2	(18)	(13)	7-Dec-07	13

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

Sources: Bloomberg, BOCI Research

China - A Strategy

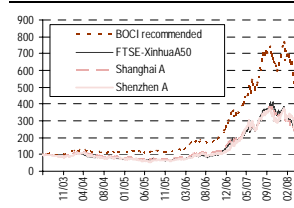
Performance Comparison

	% Change 1M	Since YTD	Since Incept.*
BOCI recommended	7	(25)	429
Shanghai A	5	(31)	137
Shenzhen A	9	(24)	160
FTSE-XinhuaA50	2	(31)	150

* Inception May 2003

Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI China-A Recommended Stocks

RIC	Last price (Rmb)	3M avg. daily T/O (Rmb m)	Free float mkt cap (Rmb m)	P/E (x)	Yield (%)	% Chg.	Wgt (%)							
				FY07	FY08E	FY09E	FY07E	FY08E	1M	YTD	Since rec.	Date rec.	(%)	
Xinjiang Tianshan Cement	000877.SZ	16.98	33	2,250	34.0	21.5	13.1	1.8	3.1	11	6	0	9-May-08	7
Fujian Dongbai	600693.SS	15.98	41	3,303	69.5	37.2	27.6	0.6	1.1	20	14	0	9-May-08	3
Chengdu People's Department Store	600828.SS	24.02	12	1,723	52.2	37.0	28.9	0.8	1.0	15	13	15	3-Apr-08	5
Qinghai Salt Lake Potash	000792.SS	93.88	251	36,699	72.8	31.6	26.2	1.4	1.5	13	22	13	3-Apr-08	5
Yantai Wanhua	600309.SS	27.62	209	17,762	31.0	22.5	16.3	1.8	2.2	(11)	(30)	(30)	7-Mar-08	5
Dongfang Electric	600857.SS	44.30	216	3,369	14.5	13.9	0.0	2.7	0.0	1	(50)	(48)	7-Mar-08	3
China Vanke	000002.SZ	21.88	1,831	128,699	30.8	18.1	12.9	1.1	1.6	(12)	(24)	(19)	1-Feb-08	2
Bank of Beijing	601169.SS	16.00	371	13,948	26.2	19.0	15.4	2.1	2.6	8	(9)	(9)	1-Feb-08	3
Sichuan Swellfun	600779.SS	29.33	191	8,610	71.5	34.5	21.7	0.3	0.3	21	14	3	4-Jan-08	10
Shanghai Jinjiang Dev.	600754.SS	14.00	32	3,039	31.8	28.6	25.9	2.8	3.1	(4)	(31)	(34)	4-Jan-08	3
Long Yuan Construction	600491.SS	11.77	41	2,826	23.9	17.4	13.0	0.9	1.2	(3)	(11)	6	02-Dec-07	6
Wangfujing Dept Store	600859.SS	44.30	57	8,775	65.3	37.9	29.0	0.7	0.9	22	(5)	(1)	02-Dec-07	2
Shandong Gold Mining	600547.SS	138.73	273	10,865	114.7	22.9	22.0	2.6	2.7	16	(18)	(18)	02-Nov-07	6
Pingdingshan Tian'an Coal	601666.SS	52.89	306	15,920	51.3	34.3	28.6	1.3	1.8	30	12	48	07-Sep-07	13
Zhenhua Port Machinery	600320.SS	15.86	208	17,802	25.4	19.4	15.0	1.4	1.8	2	(39)	(32)	09-Aug-07	4
Sanyi Heavy	600031.SS	40.49	184	18,075	24.0	17.2	12.7	1.2	1.6	15	(25)	13	29-Jun-07	2
ICBC	601398.SS	6.14	1,045	91,879	25.6	15.7	13.3	3.4	4.1	(3)	(25)	28	9-Feb-07	3
Qingdao Haier	600690.SS	15.30	182	10,069	30.6	17.6	14.4	1.7	2.1	4	(35)	242	8-Sep-06	6
Kweichow Moutai	600519.SS	177.74	271	72,468	59.2	41.5	31.0	0.8	1.2	(0)	(23)	1,120	20-Jun-03	9
Cash (incl. dividends)														2
Total														100

Stocks Removed or Reduced from the BOCI China-A Recommended List

China State Shipbuilding	600150.SS	125.74	361	12,780	28.7	14.0	9.1	2.1	3.3	(5)	(51)	12	01-Jun-07	7
Anhui HELI	600761.SS	19.35	137	3,454	21.5	17.3	13.2	1.8	2.3	2	(47)	269	9-Dec-05	3

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

Sources: Bloomberg, BOCI Research

China Economy

- China experienced some tough times during March-April 2008. The violence in Tibet on 15 March gradually drew attention on the social stability ahead of the Beijing Olympics. In August. It is easily understandable that it is the government's priority to maintain political and social stability among other things. All preparations for the Olympics are continuing according to plan, although it is not surprising that the new generation born after 1980s has taken over the leading position on patriotism.
- Domestic inflation continues to rise and threaten China's economic growth prospects. In the face of rising inflation, the stock market saw huge volatility for most of last month. The Shanghai composite Index hit below 3,000 on 23 April 2008, ahead of the long-expected stamp-tax reduction announced on 24 April 2008. The rapid reaction from the government after the index went below 3,000 points further suggests the need stability before the opening ceremony for the Olympics.
- It came as a surprising coincidence that the renminbi also hit a peak against US dollar at 6.9837 on 23 April 2008. However, the renminbi came back to 7.00005 against US dollar on 10 May 2008. The relative weak renminbi of late has results in a series of conjectures. There has even been talk that the renminbi will undergo a one-off devaluation in the short term. The relative weakness of the renminbi in recent days is obviously mainly due to the recent rebound in the US dollar, although the People's Bank of China (PBOC) has kept the pace of the appreciation fully under control.
- Of course, we do not view positively a one-off devaluation of the renminbi simply because that China faces unprecedented inflation ahead. The government has made great efforts to rein in the price of grain and insulate the rise in the international price of grain from worsening domestic inflation. Such efforts have prevented any further food price inflation so far, but such administrative measures cannot effectively lower expectations of even higher inflation.
- The bad news is the rise in the price of crude oil to a record \$126.20 a barrel on 9 May 2008, double the level a year ago. For the period between 5 May and 9 May, the price oil jumped by US\$10; which led the speculation that it will reach US\$200 per barrel in the foreseeable future. On 9 May, the price of corn rose to a record US\$6.27 a bushel, up 75% from the end of last year. Meanwhile, corn stock in the US was forecast to drop to its lowest level in 13 years and the official forecast suggest that a third of the corn crop during 2008-09 be go to make biofuel.
- Against the worldwide energy and food inflation, China's price of grain has only seen a mild rise, while that of fuel is almost unchanged from the level of a year ago. The rising consumer price index (CPI) was mainly due the hike of 85% in the price of pork in 1Q08. Furthermore, the situation may sustain in 2Q08, although the government expects that the growth of the CPI to decelerate in 2H08 as the yearly basis for growth will ease due to a higher base of comparison.
- The challenging is if the CPI growth will ease in 2H08 with the roaring oil and grain prices in the international market. PBOC Governor Zhou Xiaochuan publicly said at a conference of the International Settlement Bank (ISB) that he really did not know if the CPI growth would slow down in 2H08. In his opening remarks at the first Lu JIazu Finance Forum on 10 May 2008, Zhou said that the task of the current monetary policy was to combat inflation. Zhou admitted that there were many different objectives for monetary policy. According to Zhou, the major current objectives of the US and some European countries, should be stabilise economic growth and prevent a possible recession. However, in many developing countries, including China, the monetary policy should focus on fighting inflation because global inflation threatened economic stabilities of such nations.
- We see Zhou's speech as being full of policy implications. Following Zhou remarks, we expect different policy against rising inflation, faster renminbi appreciation, interest rate hikes and more tightening administrative measures and/or the combination of all the above.
- However, we have to face the fact that there has been always a trade-off between fighting inflation and maintaining economic growth. It is true that a fast-growing economy, in turn, helps to address a range of difficult issues, such as the rich-poor gap and the under-funded health, education and welfare systems and more.

China Monthly Economic Indicators (2006-2008)

	2006	2007	2008E	Apr07	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan08	Feb	Mar
Real economy (% YoY)															
GDP*	11.1	11.4	10	-	-	11.9	-	-	11.5	-	-	11.2	-	-	10.6
VAIO (Real)	16.5	18.5		17.4	18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8
-Light industry	17.0	19.6		18.3	18.9	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.6	11.8	15.7
-Heavy industry	15.3	16.3		15.4	16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.5	16.9	18.7
Industrial sales ratio (%)	97.5	98.1		98.40	98.00	97.63	98.42	98.52	98.24	98.3	98.06	98.1	-	97.5	98
FAI* (% YoY)	27.5	25.8	26	25.5	25.9	29.7	26.6	26.7	26.4	26.9	26.8	25.8	-	24.27	25.9
- Property	26	30.2		27.4	27.5	35.5	28.9	29.0	30.3	31.4	31.8		-	32.9	32.3
Retail sales*	13.5	16.8	18.5	15.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	-	20.2	21.5
External sector															
Exports (US\$ bn)	969.1	1218	1386	97.45	94.05	103.27	107.74	111.36	112.48	107.72	117.62	114	109.7	87.37	109
Export growth (% YoY)	27.2	25.7	13.8	26.8	28.7	27.01	34.11	22.69	22.8	22.23	22.7	21.6	26.7	16.8	31
Imports (US\$ bn)	791.6	956	1099	80.57	71.6	76.36	83.39	86.38	88.57	80.67	91.34	91.7	90.2	78.81	95.6
Import growth (% YoY)	20.0	20.8	15	21.3	19.1	14.3	26.87	20.02	16.1	25.46	25.25	25.5	27.6	30.9	25
Trade balance (US\$ bn)	177.5	262	287	16.88	22.45	26.91	24.36	24.98	23.91	27.05	26.3	22.7	19.5	8.56	13.4
FDI* (US\$ bn)	63.00	74.80	62	4.47	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.10	11.2	6.93	9.29
Money supply (% YoY)															
M0	12.65	12.1	13.5	15.1	13.91	14.54	15.05	15.04	13.01	13.43	13.56	12.05	31.21	5.96	11.12
M1	17.48	21	17.7	20.0	19.28	20.92	20.94	22.77	22.07	22.21	21.67	21.01	20.72	19.2	18.25
M2	16.94	16.7	15.5	17.1	16.74	17.06	18.48	18.09	18.45	18.47	18.45	16.72	18.94	17.48	16.29
Deposit rate, 12M (%)	2.25	4.14	4.85	2.79	3.06	3.33	3.6	3.87	3.87	3.87	4.14	4.14	4.14	4.14	4.14
Lending rate, 12M (%)	6.12	7.47	8.01	6.39	6.57	6.84	7.02	7.29	7.29	7.29	7.47	7.47	7.47	7.47	7.47
FX reserves* (US\$ bn)	1,066.3	1,530	1,907.9	1,246.6	1,292.7	1,332.6	1,385.21	1,408.6	1,433.6	1,455	1,497	1,528.2	1,590	1,647	1,682
Inflation (% YoY)															
National CPI	1.5	4.8	4.9	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3

*Periodical; no single month data released by NBS

Sources: NBS, MOFTEC, PBOC and BOCI Research

Value Added Industrial Output (VAIO)

	2007												2008		
% YoY	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar		
VAIO	17.6	17.4	18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8		
Heavy industry	18.3	18.3	18.9	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.5	16.9	18.7		
Light Industry	16.0	15.4	16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.6	11.8	15.7		

Source: NBS

According to the National Bureau of Statistics (NBS), growth of value-added industrial output (VAIO) rebounded to 17.8% in March 2008, from 15.4% YoY in 2M08 and 17.4% YoY in December 2007. Meanwhile, the delivery value of exports grew 17.2% YoY, up from the unusually low level of 14.8% YoY in 2M08, but still 5.8ppts below the 23% YoY rise in full-year 2007.

Breaking down the sectors, the VAIO of textiles picked up 14.9% YoY in March, 3.3ppts higher than 11.6% YoY in 2M08. Meanwhile, output of raw chemical materials and smelting of ferrous metals edged up 15.6% YoY and 15.8% YoY in March, up from 13.3% YoY and 14% YoY, respectively, in 2M08. The machinery and equipment sector also saw an obvious rebound in VAIO growth. The VAIO of special purpose equipment climbed 25.8% YoY, while that of transport equipment rose 22.7% YoY, and that of electronic and communication equipment went up 16.5% YoY, up from the corresponding increases of 20.3% YoY, 18.8% YoY and 14.5% YoY in 2M08. For ordinary machinery, VAIO registered a steady rise of 21.8% YoY in March, compared to the 21.9% YoY increase in 2M08.

Fixed Asset Investments (FAI)

% YTD	2006											2007		
	Dec	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Mar
Total FAI	24	-	23.7	-	-	27.8	-	-	25.7	-	-	24.8	-	24.6
Urban FAI	24.5	23.4	25.3	25.5	26.7	27.5	26.6	26.7	26.4	26.9	26.8	25.8	24.3	25.9
Urban FAI / Total FAI, %	85.1	-	83.0	-	-	85	-	-	85.5	-	-	85.6	-	83.9
- Primary Industry	30.7	24.8	20.3	29.2	35.8	37.5	46.2	42.9	41.1	39.9	37.6	31.1	77	80.8
- Secondary Industry	25.9	21.0	27.0	27.4	28.9	29.0	28.9	29.5	29.3	29.6	29.7	29	26.1	25.9
- Tertiary Industry	23.3	25.1	24.0	24.0	23.5	24.6	24.5	24.3	24.0	24.7	24.4	23.2	22.6	25.3
- Property	21.8	24.3	26.9	27.4	27.5	31.3	28.9	29.0	30.3	31.4	31.8	32.2	32.9	32.3

Source: NBS

NBS data shows that overall FAI grew 24.6% YoY in 1Q08, down from 24.8% YoY in 12M07, but still 0.9ppts higher than the rise of 23.7% YoY in 1Q07. For urban areas, FAI growth accelerated to 25.9% YoY in 1Q08 from 24.3% YoY in 2M08 and 25.8% YoY in 12M07, which was 0.6ppts higher than leap of 25.3% YoY in 1Q07. Breaking down the sectors, urban FAI in agriculture rose 80.8% YoY in 1Q08, up sharply from the increases of 31.1% YoY in 12M07 and 20.3% YoY in 1Q07, while that in the secondary industry grew 25.9% YoY and that tertiary industry climbed 25.3% YoY, versus the corresponding increases of 29% YoY and 23.2% YoY in 12M07.

Breaking down by sector, the FAI in coal mining grew 41.65% YoY in 1Q08, up from 31.1% YoY in 2M08 and 23.7% YoY in 12M07, mainly because of hikes in the price of coal. Meanwhile, growth of FAI in smelting and pressing of ferrous metals dropped to 22.4% YoY in 1Q08 from 30% YoY in 2M08, but still 8.3ppts higher than 14.1% YoY in 12M07. Growth of FAI in nonferrous metals decelerated to 37.2% YoY in 1Q08 from 68.1% YoY in 2M08. For communications and electronics equipment, the FAI growth rebounded to 8.5% YoY in 1Q08 from 2.8% YoY in 2M08, while that in ordinary equipment grew 40.3% YoY in 1Q08, versus increase of 41.4% in 2M08. At the same time, the FAI in special purpose equipment surged 49.3% YoY and that in transport equipment jumped 48.0% YoY, respectively, in 1Q08, up from the corresponding increases of 35.5% YoY and 40.5% YoY in 2M08. For the property sector, FAI grew 32.3% YoY in 1Q08, down from 32.9% YoY in 2M08, but still 2.1ppts higher than the increase of 30.2% YoY in 12M07 and 5.4ppts more than the rise of 26.9% YoY in 1Q07. For rural areas, FAI grew 18.3% YoY in 1Q08, up from 16.8% YoY in 1Q07.

As at the beginning of the year, the FAI growth will be steadily strong in 2008.

Retail Sales

% YoY	2007										2008	
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Mar
Retail sales	15.3	15.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	20.2	21.5
Urban	15.8	16.0	16.3	16.5	16.7	17.6	17.5	18.6	19.2	20.5	20.8	22.1
Rural	14.8	14.6	15.0	14.2	15.8	16.1	16.09	17.1	18.0	19.6	18.9	20.2
Cars	-	38.6	34.2	33.0	42.7	42.3	38.1	36.1	35.0	31.4	33.8	43.9

Source: NBS

According to data from the NBS, retail sales grew 21.5% YoY in March, up 1ppt from 20.2% YoY in 2M08. In 1Q08, retail sales jumped 20.6% YoY from 19.1% YoY in 4Q07 and 14.9% YoY in 1Q07. At the same time, retail sales in urban and rural areas rose 21.2% YoY and 19.3% YoY, respectively, in 1Q08, up from the corresponding increases of 17.2% YoY and 15.8% YoY in 12M07. We believe the acceleration in sales growth was partly due to the inflationary effect.

Breaking down the segments, retail sales of grain and oil grew 38.1% YoY in 1Q08, down slightly from the rise of 41.2% YoY in 2M08. Meanwhile, sales of meat, poultry and eggs surged 31.3% YoY, while those of petroleum and related products jumped 42.5% YoY, and those of gold, silver and jewellery climbed 47.5% YoY in 1Q08, versus the corresponding growths of 31.5% YoY, 40.3% YoY and 46.8% YoY in 2M08. The above three items have seen a large jump in prices in the past several months, which accounted for the high sales growth. For other items, sales of clothing, shoes, hats and textiles increased 24.3% YoY, and those of automobile rose 37.1% YoY in 1Q08, up from the climbs of 24.0% YoY and 33.8% YoY, respectively, in 2M08. At the same time, retail sales of daily-use goods, communication devices, furniture, and household electric & video appliances edged up 19.5% YoY, 3.7% YoY, 33.3% YoY and 22.5% YoY, respectively, in 1Q08, versus the corresponding increases of 21.1% YoY, 5.3% YoY, 25.9% YoY and 18.8% YoY in 2M08.

Foreign Trade

% YoY	2007										2008			
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Export	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	31
Import	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	25
Trade balance (US\$ bn)	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	13.4

Source: NBS

According to the State Administration of Customs (SAC), China's exports rose 21.4% YoY in 1Q08, 4.3ppts and 6.5ppts lower than the increases of 27.9% YoY in 1Q07 and 25.7% YoY in 12M07, respectively. Meanwhile, imports growth accelerated to 28.6% YoY in 1Q08, from 18.2% YoY in 1Q07 and 20.8% YoY in 12M07. At the same time, the trade surplus increased to US\$13.4bn in March from US\$8.56bn in February, but still much lower than US\$19.49bn in January.

Exports of garments and footwear grew 14.7% YoY and 11.2% YoY in 1Q08, down from the increases of 15.2% YoY and 13.8% YoY in 4Q07, respectively, the lowest since 2002. At the same time, exports of steel products increased 7.67% YoY in 1Q08, down sharply from the surge of 153.9% YoY in 1Q07. Due to government controls, exports of maize declined 95.6% YoY in 1Q08, compared to the jump of 104.9% YoY in 12M07. Meanwhile, exports of furniture rose 30.1% YoY in 1Q08, 5.7ppts lower than the increase of 35.8% YoY in 4Q07. However, growth of textile yarn and fabrics articles accelerated to 28.1% YoY in 1Q08 from 17.1% YoY in 4Q07. For mechanical and electrical equipment, exports grew 23.1% YoY in 1Q08, down from the rise of 26.5% YoY in 4Q07. Exports of high-technology products increased 24.7% YoY in 1Q08, higher than the rise of 20.8% YoY in 4Q07.

According to the SAC, imports of most primary products picked up in 1Q08, partly due to the higher prices of commodities. In 1Q08, imports of cereals surged 105% YoY, up sharply from the rise of 3.4% YoY in 4Q07, while those of edible vegetable oil grew 56.9% in 1Q08, 2.2ppts higher than the jump of 54.7% YoY in 4Q07. Meanwhile, imports of iron ore and crude oil grew 93.8% YoY and 66.5% YoY in 1Q08, up from the increases of 56.7% YoY and 38.5% YoY in 4Q07, respectively.

The acceleration in exports growth in March was mainly due to seasonal reasons. Historical data shows that growths in exports and imports usually fluctuate the most in the first quarter of a year. We believe the exports growth will decelerate further in the coming months because of a slowdown of the global economy. Meanwhile, growth of imports will be quite strong.

Foreign Direct Investment (FDI)

% YoY	2007										2008		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual FDI	9.32	5.4	8.65	21.9	17.8	11.87	(2.36)	13.18	35.04	50.5	109.8	38.31	50.3
US\$ bn	6.18	4.47	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93	9.3

Source: NBS

According to the Ministry of Commerce (MOC), China's actual Foreign Direct Investment (FDI) jumped 50.3% YoY in March, up from 38.31% YoY in February. The utilised FDI was US\$9.3bn in March, versus US\$6.93bn in February and US\$11.2 bn in January. For 1Q08, the actual FDI surged 72.5% YoY to US\$27.41bn. At the same time, China's forex reserves jumped 40% YoY to US\$1682bn in 1Q08. Our calculations show that non-FDI capital inflows accounted for about 55% of the total forex increase, which reflects market expectations of a faster appreciation of renminbi. We maintain our view that both the FDI and non-FDI capital inflows will grow steadily in 2008.

Consumer Price Index

% YoY	2007										2008		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
CPI	3.3	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.90	6.50	7.1	8.7	8.3
- Food	7.7	7.1	7.7	11.3	15.4	18.2	16.9	17.6	18.2	16.7	18.2	23.3	21.4
- Clothing	(0.2)	(0.2)	(0.1)	(0.30)	(0.6)	(0.9)	(1.0)	(1.3)	(1.4)	(1.7)	(1.9)	(1.4)	(1.2)
- Trans.& comm.	0.1	(0.2)	(0.5)	(1.1)	(1.3)	(1.3)	(1.4)	(1.7)	(1.4)	(1.4)	(1.1)	(1.4)	(1.7)
- Residences	4.0	4.2	4.0	4.4	4.4	4.3	4.2	4.8	6.0	5.9	6.1	6.6	7
- Medical segment	1.4	1.5	1.6	1.9	2.2	2.3	2.6	2.9	3.1	3.2	3.2	3.2	3.7

Source: NBS

According to the NBS, China's CPI rose 8.3% YoY in March 2008, down slightly from the 8.7% YoY increase in February, but still 1.2ppts higher than 7.1% YoY growth in January. For 1Q08, the CPI grew 8% YoY, 3.2ppts higher than the increase of 4.8% YoY for full-year 2007.

Breaking down the different components, hikes in the prices of foodstuff and housing accounted for 6.8ppts and 1ppt, respectively, of the total CPI growth in 1Q08. The price of foodstuff items jumped 21.0% YoY in 1Q08, up sharply from the rise of 16.7% YoY in December 2007. Meanwhile, housing prices increased 6.6% YoY in 1Q08, 0.7ppt higher than rise of 5.9% YoY in December 2007.

Although the CPI growth slowed in March, compared to the preceding month, we believe inflationary pressure has intensified. According to official statistics, the seasonal effect and snowstorms were responsible for 60% of the total month-on-month CPI growth in February 2008. Excluding these factors, the CPI growth in March was likely to be higher than that in February.

Inflation / Deflation

% YoY	2007							2008					
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
EFPI	2.7	2.9	2.8	2.5	2.4	2.6	2.7	3.2	4.6	5.4	6.1	6.6	8
PPI	3.7	3.7	3.6	2.5	3.6	3.8	3.6	4.5	6.3	8.1	8.9	9.7	11
CPI	3.3	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3
Crude oil	(9.6)	(4.3)	(3.9)	(6.6)	(5.1)	(2.2)	(3.9)	4.2	22.6	34.6	29.9	37.5	37.9

Source: NBS

According to the NBS, China's Ex-factory Price Index (EFPI) for manufactured goods grew 8.0% YoY, while the Producer Price Index (PPI) for raw materials, fuels and power jumped 11.0% YoY in March, up from corresponding increase of 6.6% YoY and 9.7% YoY in February.

Breaking down the sectors, most items saw pick-ups in prices. The EFPI for crude oil soared to 37.9% YoY in March from 37.5% YoY in February and 29.9% YoY in January. The EFPI for the coal-mining sector rose 26% YoY, 7.5ppts higher than increase of 18.5% YoY in January, while that for crude coal rose 27.4% YoY, up from 19.4% YoY in the preceding month. Meanwhile, the EFPI for smelting and pressing of ferrous metals increased 21.2% YoY in March, up from 17.9% YoY in February. For nonferrous metals, the EFPI climbed 10% YoY, compared to the increase of 6.6% YoY in February.

The acceleration of EFPI growth in recent months was partly due to the hikes of prices for international commodities. The recent depreciation of the US dollar pushed up prices of many mineral products. We expect the EFPI and PPI to maintain their uptrend in the short term. The pick-ups in the EFPI and PPI will increase inflationary pressure this year. Besides, we believe the price controls that China has imposed may increase inflationary pressure in the future, instead of reducing it.

Monetary Performance

% YoY	2007										2008		
	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
M0	16.7	15.1	13.9	14.5	14.5	15.0	13.0	13.0	13.6	12.1	31.21	5.96	11.12
M1	19.8	20.0	19.3	20.9	20.9	22.8	22.1	22.1	21.7	21.0	20.72	19.2	18.25
M2	17.3	17.1	16.7	17.1	17.1	18.1	18.5	18.5	18.5	16.72	18.94	17.48	16.29
Loan / deposit	68.1	69.3	68.4	69.3	69.3	67.9	67.6	67.6	67.8	67.2	68.9	67.2	65.16
M1/M2, %	35.1	36.7	35.2	36.0	36.0	36.4	36.3	36.3	37.1	37.8	37.1	35.7	35.67

Source: NBS

According to the PBOC, renminbi lending grew 14.78% YoY in March, down from the increases of 15.73% YoY in February and 16.74% YoY in January. Meanwhile, incremental loans in March 2007 amounted to Rmb283.4bn, much lower than the Rmb441.7bn in February 2007 and Rmb545.1bn in March 2006. The mitigation in lending growth also curtailed the increase of money supply. In March, M0 supply rose 11.12% YoY, 5.56ppts lower than the 16.68% increase in the same month last year. As for M1 and M2 supplies, growths decelerated to 18.25% YoY and 16.3% YoY in March from 19.2% YoY and 17.5% YoY in February, respectively.

PBOC statistics also show that lending to households rose 25.64% YoY in 1Q08, 6.7ppts lower than the 32.3% YoY increase in 4Q07. This indicates that commercial banks were still cautious in lending to property buyers due to strict regulatory controls. Meanwhile, lending to non-financial institutions grew 12.46% YoY in 1Q08, down from the increases of 12.85% YoY in 4Q07 and 14.4% YoY in 1Q07. We note that medium- to long-term lending picked up to 23.54% YoY in 1Q08, after increasing 23.45% YoY in 4Q07 and 22.60% YoY in 1Q07. Behind the decelerating lending growth, we note that commercial banks actually reduced short-term loans and factoring loans in order to meet regulators' quarterly control requirements. The factoring loan fell by Rmb79.5bn in 1Q08; almost matching the reduction of incremental loan of Rmb89.1bn in 1Q08. Meanwhile, the gap between total loan growth and renminbi loan growth widened considerably, suggesting that foreign-currency loans continued to rise. According to PBOC, incremental forex lending grew 56.92% YoY to US\$48.8bn in 1Q08.

Due to the large correction in the stock market, as well as the accumulative effect of interest rate hikes, household deposits, especially time deposits, rebounded in recent months. In March, household deposits grew 8.8% YoY, up from 7.6% YoY in February 2008 and 6.8% YoY in December 2007. Meanwhile, time deposits rose 7.66% YoY in March, versus the corresponding increases of 5.9% YoY in February 2008 and 1.87% YoY in December 2007. However, growth of demand deposits dropped to 10.7% YoY in March from 15.4% YoY in December 2007, mainly because of the stock market correction. As for enterprise deposits, the incremental amount in 1Q08 was Rmb573.5bn, accounting for 22% of the total. Meanwhile, incremental fiscal deposits amounted to Rmb500.9bn in 1Q08.

The deceleration of lending growth indicates that the tightening monetary policy has begun to have an impact. However, as excessive liquidity still exists, according to PBOC, the forex reserves grew 39.94%YoY as at end-1Q08 to US\$1682.2bn. Hence, the tightening monetary policy will stay in place and lending growth will be monitored closely. We rule out the possibility of any loosening of the monetary policy. However, in the face of possible slowdown in economic growth, we believe the PBOC will have to keep a close eye on the situation before imposing additional tightening measures.

Policy Highlights

- **State Council held executive meeting on economic situation.** China's State Council held an executive meeting on 16 April to discuss the current economic situation and to plan for the future macro-economic controls. The meeting heard that the economy was moving on the desired track of macro-economic controls and the overall situation was better than expected. However, China faces a complex and challenging global economy environment with a lower pace of growth, higher fluctuations of world financial market and the rising prices of grain, oil and other raw materials. Due to the complicated situation of current economy, the government has to balance growth and inflationary pressure. According to the meeting, however, the high price is still the most prominent problem affecting the current domestic economy, adding that the fixed asset investment growth pace is still quick. The meeting reiterated that the government would continue to use a tight monetary policy and prudent fiscal policy to prevent an overheating economy and to guard against a shift from structural price rises to evident inflation.
- **Another RRR hike to send monetary tightening signal.** After the announcement of the 1Q08 statistics, the PBOC announced another hike in the required reserve ratio (RRR) for commercial banks. The RRR was raised 50bps to 16% effective 25 April 2008. This move locked up about Rmb208bn in the banking system. The move was in line with our expectation as the real total loan growth remained quite strong in 1Q08, while continual capital inflow made the monetary tightening more and more difficult. The immediately announcement of RRR hike was also a signal to the market that the tightening monetary policy will be the major tone. At the beginning of the year, we projected at least five RRR hike in 2008 and the current situation indicates that it may be possible for even more than eight RRR increase in the current year due to the stronger-than-expected capital inflows. Also due to the capital inflows, we believe the PBOC has been put in a difficult situation to increase the interest rate in the short term. At the same time, we can expect that the government to take more administrative step to control price hikes for different products to improve the inflationary expectation.
- **NDRC cuts forex loan quota for this year.** The National Development and Reform Commission (NDRC) has cut this year's overall quota of foreign-currency loans of over one year that foreign banks may extend, as part of a campaign to rein in excessive credit growth. "This year's quota approval is determined according to the requirement of a tight monetary policy and the total scale has been tightened appropriately," the NDRC said in a statement on its website. According to the NDRC, foreign banks should lend less to real estate and energy-intensive projects and cut back on trade credit and short-term loans that are used to meet cash flow needs. Foreign banks would be allowed to lend the full amounts if the loan agreements had already been signed, the agency said. However, banks should lend only a third of the sum sought by borrowers under contracts that had yet to be formally signed. The order, effective immediately, will expire at the end of March 2009. Such curbs are in line with our expectation because foreign exchange lending has soared amid the market expectation of faster renminbi appreciation.

- **CSRC releases guidelines on trading of released non-tradable shares.** The China Securities Regulatory Commission (CSRC) recently announced new guidelines on the release of non-tradable shares and shares privately issued before IPOs. According to the new guidelines, shareholders who expect to sell released shares accounting for more than 1% of the total issued within one month will be required to trade in the block trading system. The guidelines also prohibit controlling shareholders from selling released non-tradable shares within one month of annual and interim results disclosures. In the ensuing press conference, the CSRC described the guidelines as fundamental steps in the development of capital markets in China. In addition, the regulator officially agreed with the market sentiment that broad and condensed selling of released shares may lower trading efficiency, continually impose pressure on prices and distort natural price-forming mechanisms. By reducing selling speed or transferring trading to the block trading system, the new guidelines may lower selling pressure on the automated system and help rebalance the market forces.
- **China cuts stamp duty on stock trading to 0.1%.** The MOF and the SAT jointly announced a reduction in the stamp duty on stock trading to 0.1% from 0.3%, effective on 24 April 2008. The move was announced immediately after the close of an executive meeting of the State Council. Two regulations were passed at the executive meeting. One is on the supervision of securities companies and the other is on how to dispose of risks related to security companies. The meeting was held to strengthen institutions, as well as regulations for the stock market and to bolster its long-term development. The stamp duty cut reflects the government's determination to take effective measures to bolster investors' confidence in the stock market.
- **CSRC issue rules on listed companies' management incentives.** The CSRC issued rules on listed companies' incentive plans in an effort to prevent management officials from making improper gains. According to the CSRC, companies should not introduce share option schemes shortly before announcing major decisions. A listed company should not carry out major actions, such as new stock issues, asset injections or bond offerings within 30 days after having announced an incentive plan and obtained shareholder approval. The regulations also prohibit shareholders from directly awarding or transferring shares to the object of the incentive plan (that is, the management officials), as some companies have done to avoid regulatory scrutiny. Controlling and major shareholders with control of 5.0% or more of a company's shares may not be offered incentive plans, except with the approval of shareholders, according to the CSRC.

- **China improves export tax rates on fertilisers.** The MOF announced that the export tax rates of all fertilisers would improve for the period from 20 April 2008 to 30 September 2008. Exports of fertilisers would now carry a duty of 100-135%, the ministry said. This is the second time this year that China has raised the duty on fertiliser exports. This move is aimed at cutting the connection between domestic fertiliser price and international market prices. Currently, overseas urea and DAP prices stand at US\$400/tonne and US\$1,200/tonne against domestic levels of Rmb2,000/tonne and Rmb4,100/tonne respectively. There large gaps between domestic and overseas market have stimulated the exports of urea, MAP and DAP. The sharply rising exports of fertilisers are not only driving up domestic prices, but also reducing domestic supply in the spring midseason. In order to reduce farmer's cost pressure and ensure ample crop supply, the government wants to prevent the price of domestic fertiliser rising again, through a higher exports tax rate.
- **Refund of VAT on fuel imports.** The government planned to refund the value-added taxes on gasoline and diesel imported by the country's two largest oil companies in 2Q08, the Ministry of Finance (MOF) said on 15 April. According to the MOF, VAT on 500,000 tons of gasoline and 1m tons of diesels imported by China National Petroleum Corporation (CNPC) between April 1 and June 30 this year will be refunded. The MOF will also return collected taxes to China Petrochemical Corporation (Sinopec) on imports of 500,000 tons of gasoline and 1.5m tons of diesels in the same period. The 17% tax refund is aimed at reducing the refining losses of the oil companies and increasing refined oil products supply in the domestic market to prevent a shortage. As refined oil prices are controlled by the government, high crude prices in the international markets have caused big losses for domestic oil producers. Both CNPC and Sinopec saw big losses in their refining businesses in 1Q08.
- **China published draft regulations on food safety.** China's new draft food safety law was published on the national legislature website on 20 April for public discussion. The draft law, covering food safety evaluation, monitoring, recall and information release, was submitted to the NPC Standing Committee last December for a first hearing. According to the draft, producers of substandard food products face fines, the confiscation of their incomes and revocation of production certificates. In serious cases, they face prison terms ranging from three years to life. This is the first draft law made public by the 11th NPC since it held its first annual session in March this year. China's top legislator, Wu Bangguo, promised in March to give the public more say in the formulation of the food safety laws, amid both domestic and international concerns about the country's food quality and safety.

AUTOMOTIVE

HK listed – Outperform
A shares – Outperform

- Domestic passenger car sales in March 2008 grew 24% YoY to a total of 700,505 units.
- In 1Q08, domestic passenger car sales surged 20% YoY to 1.85m units.
- Going forward, 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-tractor jumped 70% YoY and 63 YoY, respectively in March 2008. Large buses sales rose 17% YoY in 1Q08.
- We expect sales growth of heavy-duty trucks and semi-tractor to decelerate in 2H08 due to China's enforcement of Euro III emission standards.
- China's automobile manufacturing industry registered total profit growth of 30% YoY to Rmb19.46bn for January-February 2008.

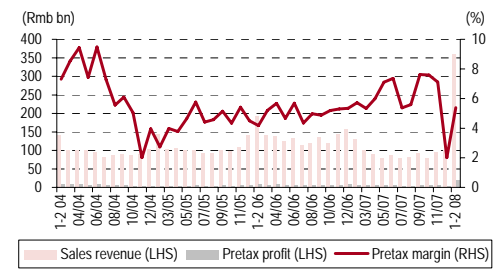
Changan Auto (000625.SZ/Rmb10.07; 200625.SZ/HK\$4.73) – Outperform (A&B)

ChangAn Auto's net profit for 1Q08 came in up 55.2% YoY at Rmb268m, while sales revenue grew 15.2% YoY to Rmb4.0bn. According to the company's production and sales figures, ChangAn Auto sold 233,915 whole vehicles in 1Q08. According to the China Automobile Industry Newsletter, ChangAn Ford Mazda sold 60,398 sedans in 1Q08, a rise of 59.0% YoY. ChangAn Suzuki also registered strong sales growth of about 57.6% YoY to 40,274 units. Due to tighter cost controls and improved product mix, gross profit increased 57.6% YoY in 1Q08. Investment income rose 37.5% and came mainly from the ChangAn Ford Mazda Motor joint venture (JV) and a JV for engine manufacturing.

Ningbo Huaxiang (002048.SZ/Rmb11.50) – Outperform

Ningbo Huaxiang's 1Q08 net profit surged 88.8% to Rmb44.0m on revenue growth of 45.0% YoY to Rmb597m. In 1Q08, Ningbo Huaxiang's clients, the top five sedan producers, all registered fast growth to pave the way for the company's business expansion. The company reported investment income of Rmb22m for 1Q08, 175.7% higher than that for 1Q07. We believe the company's 49%-owned Fawer JV provided around Rmb12m of this item and Faurecia Exhaust System Co contributed the rest of it. The company's gross margin fell from 18.9% 1Q07 to 18.4% 1Q08.

Operating Performance of the Auto Industry



Sources: China Automotive Industry Newsletter

Key Statistics

% YoY	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Trucks	14	19	15	15	9	(1)	22	27	27
Heavy	20	44	20	36	28	25	52	77	70
Semi-tractor	64	92	20	52	41	22	26	39	63
Medium	4	17	15	(6)	4	(11)	(9)	2	18
Light	11	16	15	22	12	3	30	25	21
Mini	25	8	9	1	(0)	(15)	(1)	15	15
Buses	7	21	15	21	41	32	8	11	3
Large	9	27	22	44	6	40	47	(20)	10
Medium	4	14	12	(11)	23	18	2	22	4
Light	8	23	15	30	55	36	4	13	2
Passenger cars	30	22	20	21	17	12	20	17	24
Sedan	37	23	22	20	17	15	21	20	26
MPV	23	18	18	27	24	(4)	(7)	13	7
SUV	21	50	22	67	76	44	33	47	48
Minivan	10	8	9	13	(0)	(3)	17	1	11
Total	25	22	19	20	16	11	20	19	25

Sources: China Automotive Industry Newsletter, BOCI Research estimates

CHEMICALS

HK listed – Underperform ↓
A shares – Outperform

- China has improved the export tax rate of 100% for all kinds of fertilisers for the period from 20 April 2008 to 30th September 2008 in order to restrict exports to overseas markets. We believe this policy will have different impacts on three main kinds of fertilisers. The policy will have virtually no impact on potash, as it is mainly imported. On the other hand, urea and phosphate will be negatively impacted as their prices went up recently mainly due to the rising exports volume and effect of overseas markets. Negotiations between Sinofert and foreign potash suppliers were concluded on 16 April 2008 with the 2008 price of imports surging about 250% YoY to US\$576/tonne, above market expectations, but in line with the overseas market level. We, therefore, lift by 31% our earnings forecast for Qinghai Salt Lake Potash.

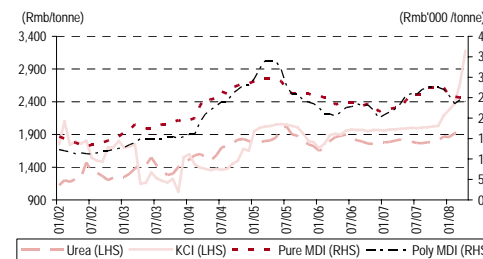
Yantai Wanhua (600309.SS/Rmb27.62) – Outperform

Yantai Wanhua's net profit for 1Q08 rose 18% YoY to Rmb376m on revenue growth of 14% YoY to Rmb1,965m. The earnings were lower than our forecast due to a decline in the realised price for methylene diphenyl diisocyanate (MDI) and higher inventory. As such, we cut our earnings estimates by 10% for 2008 and 5% for 2009. In view of the company's rapid expansion overseas, we believe it will grow into a global chemical conglomerate in the next three years with its technological advantage and management capability.

Hualu Hengsheng (600426.SS/Rmb23.77) – Outperform

Hualu Hengsheng's earnings for 1Q08 jumped 80% YoY to Rmb115m on revenue growth of 52% YoY to Rmb857m. The healthy results were mainly due to rising outputs of urea, dimethylformamide (DMF) and methanol on capacity expansions and effective cost controls. Owing to its advantages in technology, product gross margin rose 3ppts to 25% of 1Q08 from 22% of 1Q07, despite a rise in the cost of coal. In view of the potentially higher price of coal in 2H08, we conservatively expect the company's 2008 urea production cost to match that of 2007, or lower than our previous projection of 6% rise. As such, we raise our earnings forecasts by 13.4% for 2008 and 12% for 2009, respectively.

Product Prices



Sources: China Petroleum & Chemical Industry Association

Key Statistics

	% YoY	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Output										
Urea	13.3	11.5	10.5	13.1	11.6	4.3	5.5	1.9	12.0	
Potash	18.5	10.6	12.0	12.0	63.3	(70.0)	30.0	15.0	75.0	
PVC	23.3	20.0	15.0	17.9	17.5	17.9	18.6	13.4	21.0	
Nitric Acid	12.6	13.1	10.0	25.4	(3.0)	(6.5)	3.5	(2.2)	22.0	
Price										
Urea	(2.4)	0.1	3.5	1.4	1.4	3.3	(0.1)	3.2	5.3	
KCl	7.4	5.4	10.0	3.7	4.4	7.9	5.0	3.9	0.0	
Nitric Acid	0.4	1.8	2.8	(0.7)	0.4	10.8	5.9	(10.0)	4.7	
Pure MDI	(14.0)	5.5	(3.5)	17.0	0.0	0.0	0.0	(1.0)	(2.8)	
Poly MDI	(24.0)	14.3	(5.5)	18.5	(0.5)	(3.6)	0.0	(8.0)	0.0	
PVC	3.1	6.0	2.0	10.0	(5.2)	(2.8)	0.1	5.3	(4.2)	

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

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

- Beer output grew around 11.8% YoY to 7.87m kl in 3M08.
- Revenue and profit of the beer industry rose 16.2% and 16.2% YoY in 2M08, respectively.
- Liquor production volume increased about 19.2% YoY to 1.35m kl in 3M08.
- Revenue and profit of liquor industry rose 29.2% and 15.0% YoY in 2M08, respectively.
- Wine output grew about 63.75% to 0.23m kl in 3M08.
- Revenue and profit of wine industry rose 34.2% and 32.4% YoY in 2M08, respectively.

Luzhou Laojiao (000568.SZ/Rmb60.60) – Outperform

Luzhou Laojiao's net profit for 1Q08 surged 262% due to higher sales of the liquor business and price hikes, as well as investment income from Huaxi Securities, in which it has a 35% stake. Laojiao also announced that its net profit for 1H08 will come in up 150-200% YoY for the same reasons. We reaffirm our **Outperform** call on it.

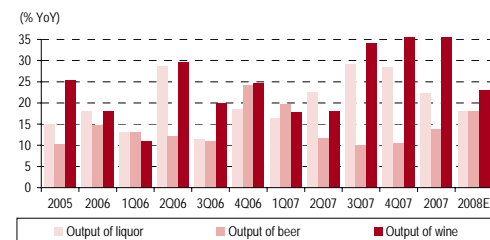
Sichuan Swellfun (600779.SS/Rmb29.33) – Outperform

Sichuan Swellfun's net profit for 1Q08 surged 91.6% YoY to Rmb95m (EPS: Rmb0.20), on revenue growth of 24.5% YoY to Rmb352m. We believe that sales of the *Swellfun* brand of products increased 40-50% YoY to 1,000 tonnes in 1Q08. The Swellfun series was the main source of revenue and accounted around 94% of the total liquor business turnover. We maintain our estimates that the EPS from Swellfun's liquor business will amount to Rmb0.85 in 2008, Rmb1.14 in 2009 and Rmb1.45 in 2010, and reaffirm our **Outperform** call on it.

Yantai Changyu (000869.SZ/Rmb80.90; 200869.SZ/HK\$54.04) – Outperform

Yantai Changyu's net profit for 1Q08 rose 39.1% YoY to Rmb272m, while revenue grew just 27.0% YoY to Rmb1.27bn. The robust earnings growth in 1Q08 was due to higher sales of the top-end products and ex-factory ASP hikes 10% in February 2008, as well as the decline in the income tax rate from 30% in 1Q07 to 26% 1Q08. Changyu has built a strong industry position and will post more stable earning in the next two to three years. We maintain our EPS forecasts of Rmb1.80 for 2008, Rmb2.33 for 2009 and Rmb3.07 for 2010, and reaffirm our **Outperform** calls on the A and B shares.

Output of Beer and Liquor



Sources: China Light Industry Association, BOCI Research

Key Statistics

(YoY %)	2006			2007			2008			
	06	07	08E	6M	9M	12M	5M	8M	11M	2M
Revenue										
Beer	16	17	18	11	13	16	20	18	16.3	16
Liquor	31	33	35	24	26	32	31	34	34	29
Wine	25	28	30	29	27	25	19	23	18	34
Profit										
Beer	20	21	22	11	20	21	30	23	17	16
Liquor	26	35	39	23	21	26	26	37	38	15
Wine	16	18	24	11	13	16	27	18	19	32
Gross margin (%)										
Beer	34.0	34.0	34.5	33.7	34.9	34.0	33.4	33.9	33.4	29
Liquor	34.8	36.0	37.0	35.4	34.4	34.8	36.2	36.1	35.6	36
Wine	36.7	37.0	37.5	37.0	35.0	36.7	39.3	36.1	35.6	41

Source: China Light Industry Association

CONSUMER – Dairy & Others *HK listed – Marketperform*
A shares – Underperform

- Liquid milk products output grew 10.3% YoY to about 3.4m tonnes in 3M08.
- Other dairy products output grew 14.6% YoY to about 4.3m tonnes in 3M08.
- Industry sales revenue grew 29.4% YoY to Rmb232.5bn in 2M08.
- Industry profit went up 19.6% YoY to Rmb8.37bn in 2M08.
- Industry gross margin from 24.1% in 2M07 to 17.9% in 2M08.

China Foods (0506.HK/HK\$4.30) – Outperform

China Foods' pro-forma core earnings edged up 6% YoY to HK\$361m, despite turnover growth of 50% YoY to HK\$9.7bn. While its wine business put in a strong performance, the company booked losses for the consumer-pack edible oil and confectionery operations. The winery and beverage operations will be the major growth driver going forward, and we expect to see earnings rise of 27.0% YoY in 2008. We lower our target price from HK\$5.70 to HK\$4.90, based on sum-of-the-parts methodology.

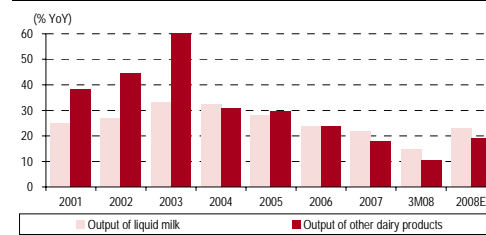
Haisheng Juice (0359.HK/HK\$1.66) – Outperform

Haisheng's net profit for 2007 leapt 146% YoY to Rmb162m, while turnover soared 118% YoY on increases in volume and average selling price. However, gross margin declined 3ppts YoY to 29% due to high apple costs. Compared to China peers, its gearing ratio is the highest at 166%. Thus, the possibility of equity financing cannot be ruled out. Based on 12x 2008 P/E and a 20% discount to international peers, we raise our target price to HK\$3.50 from HK\$1.79.

Xiwang Sugar (2088.HK/HK\$3.18) – Outperform

Xiwang Sugar's 2007 net profit grew 24.0% to Rmb361m, 17% higher than our forecast. The positive earnings surprise was mainly due to a higher gross margin and lower distribution costs, thanks to the hikes in prices of side products and lower transportation costs. We expect Xiwang to register a 2007-10 earnings CAGR of 25%. We raise our target price from HK\$5.40 to HK\$5.80.

Output of Liquid Milk & Other Dairy Products



Sources: China Dairy Yearbook, BOCI Research

Key Statistics

YoY %	2006			2007		2008		
	06	07	08E	1H	2H	1H	2H	2M
Outputs								
Liquid milk	25	16	19	25	25	7	25	11
Other dairy products	15	23	23	10	19	16	29	10
Industry								
Total assets	11	15	12	16	11	14	15	16
Total sales	21	22	18	27	15	22	23	29
Gross margin (%)	23	22	23	23	23	23	22	18

Sources: China Statistical Yearbook, BOCI Research

CONSUMER – Retail

HK listed – Outperform
A shares – Outperform

- China retail sales remained intact, despite the heavy snowstorms in late January and February. According to National Bureau of Statistics, total retail sales of consumer goods grew 20.6% YoY to Rmb2.56trn in 1Q08, well above the 14.9% rise in 1Q07. Among individual categories, gold and jewellery, oil and related products, and auto sales grew at the fastest rates of 47.5% YoY, 42.5% YoY and 37.1% YoY, respectively.
- Rising inflation has begun to put pressure on retail sales. Excluding the 7.4% rise in the retail price index in 1Q08, growth in retail sales (excluding the price effect) grew only 12% YoY, largely the same as in 1Q07. Amid surging prices, food expenditure climbed to 37-38% of the total living costs, up from 35.8% in 2006.

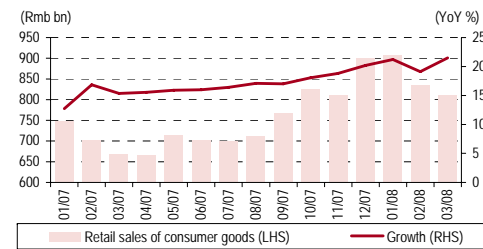
Fujian Dongbai Group (600693.SS/Rmb15.98) – Outperform

Dongbai Group now operates three stores in Fuzhou City, with a total area of around 180,400sqm, and focused on the medium- to high-end segments of the retail market. The company plans to open its fourth store in Fuzhou (Qunsheng store) this October. We believe Dongbai will further enhance its dominant position and expand its market share in Fuzhou. In view of Dongbai's sound record, tight cost controls and above-average growth rate, we are optimistic about its future, and maintain **Outperform** rating on it.

Wangfujing Department Store (600859.SS/Rmb44.30) – Outperform

Wangfujing's net profit after extraordinary items attributable to its parent rose 217% YoY to Rmb290m. Its EPS of Rmb0.738 was well above market consensus of Rmb0.59 (from Wind) and our forecast of Rmb0.61. The strong bottom-line increase was mainly due to better growth in core revenue and decline in the expense ratio. We raise our EPS forecast from Rmb1.01 to Rmb1.17 for 2008 and from Rmb1.37 to Rmb1.53 for 2009. We set our 2010 EPS at Rmb1.85. We reaffirm our **Outperform** rating on the stock and retain our target price of Rmb51.20.

Retail Sales of Consumer Goods



Source: CEIC

Key Statistics

Wholesale and retail trades by category of main commodities	1Q07	1H07	1-3Q07	2007	1Q08
YoY %					
Grain and oil	30.4	33.2	37.0	38.3	38.1
Meet, poultry and eggs	32.5	36.0	40.5	40.9	31.3
Clothing, shoes, hats and textiles	27.2	25.0	24.7	28.7	24.3
Sport and recreation articles	14.5	17.9	21.8	n.a.	21.0
Household and video appliances	21.0	20.7	20.3	23.4	22.5
Furniture	37.6	43.4	38.7	43.2	33.3
Cosmetics	24.8	25.9	25.2	26.3	22.3
Gold, silver and jewellery	37.9	37.5	41.5	41.7	47.5
Communication appliances	10.6	10.9	9.5	n.a.	3.7
Automobiles	38.5	36.7	38.1	36.9	37.1

Source: NBS

CONSUMER – Textile

HK listed – Marketperform

- The Cotlook A Index declined 3.02% MoM to US\$0.738/lb in May mainly due to the continued weakness in the commodity market.
- China's cotton price has hovered at around Rmb13,800/tonne in May. The lack of demand from downstream players, plus an anticipated acceleration in import are the major hurdles for the domestic price of cotton.
- China's exports of textile and apparel products in March 2008 jumped 46.5% to US\$11.46bn from US\$7.87bn in Mar 2007.

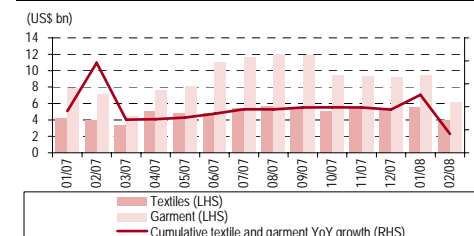
China Ting (3398.HK/HK\$1.43) – Outperform

Given its superior profitability and diversified product mix, we believe that China Ting will emerge a winner in the ongoing consolidation of the garment industry. The market has overlooked its China retail business. Thanks to accelerated store rollout and margin expansion, we expect China Ting's retail business to register earnings CAGR of 44.3% during 2007-10. With over HK\$700m cash on hand, the high likelihood of acquiring a high-profile fashion brand in China will bring about a re-rating opportunity. China Ting has a track record of handling small-sized orders better than its peers, mainly due to the niche market nature of silk-related products. With its export customers ever more demanding requirements on lead-time management, China Ting is well positioned to seize market share from its competitors. We initiate the coverage with an **Outperform** call.

Glorious Sun (0393.HK/HK\$4.12) – Marketperform ↓

GS' net profit for 2007 jumped 90% YoY to HK\$ 516m. However, if we strip out the one-off gains of HK\$265m arising from the disposal of GSit, core profit actually declined 8.1%. Retail sales rose 24.3% YoY to HK\$3,628m, thanks to the 26.1% and 20.0% YoY growths in the China and Australia/New Zealand markets, respectively. Going forward, we expect GS to register retail sales CAGR of 23.7% during 2007-10 in China. However, we are concerned about its brand positioning in the longer term. The company intends to purchase a few properties at prime locations of major cities in China for self-managed flagship stores. In our view, it is probably a defensive move for GS to secure better retail locations in China, as well as a means of enhancing brand image. In addition, positioning at the basic-item market with fierce competition, we reckon GS has limited pricing power and may be difficult lift its average selling price going forward. Accordingly, we have downgraded GS from **Outperform** to **Marketperform**.

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,

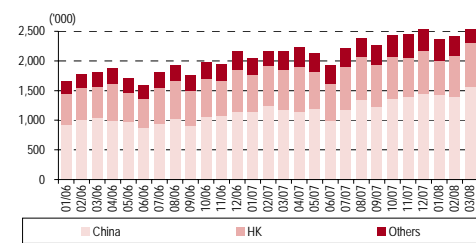
CONSUMER SVS – Gaming & Hotels *Gaming – Marketperform Hotels – Marketperform*

- Visitor arrivals in Macau in March 2008 grew 25.5% YoY to 2.7m. The growth in March was the fastest in the first three months, which lifted that for 1Q08 to 17.8% YoY. Visitor arrivals in Macau from the PRC in the same month grew 22.6% YoY to 4.4m, while those from Hong Kong rose a marginal 3.3% YoY to 2m. Growth in visitors from other countries remained strong at 31.4% YoY.
- Gross revenue from game of fortune in 1Q08 surged 62% YoY to MOP29.8bn. Of the total, that from VIP baccarat tables surged 73% YoY and that from slot machines jumped 80%. In the same period, VIP baccarat accounted 70% of the total, up from 65-68% in the preceding four quarters.

Galaxy Entertainment (0027.HK/HK\$5.48) – Outperform

The Macau Government announced that it had suspended the issuance of licences for new casinos and barred the physical expansion of the gaming industry in a raft of measures. Other than approved projects and those still under negotiations, no more land will be made available to build casinos. In the long term, the government will also put in legislation on the statutory maximum number of gaming tables and slot machines, set a maximum amount of commission allowed for casino agents, otherwise known as VIP room operators who bring in lucrative high-rollers, and move all slot machines arcades away from residential areas. In the longer term, these measures will probably help alleviate the intense competition, thereby relieving further pressure on the profit margin, especially for VIP baccarat tables. In the near term, we anticipate that there is still excess capacity in the industry, not to mention the substantial projects under construction. Based on its net book value of HK\$5.6, Galaxy trades close to 1x P/B. We reiterate **Outperform** call on it.

Macau Visitor Arrivals



Source: CEIC

Key Statistics

Gross revenue from game of fortune							
MOP m	2006	1Q07	2Q07	3Q07	4Q07	2007	1Q08
VIP Baccarat	36,783	12,002	13,206	13,668	16,886	55,762	20801
YoY %	27	50	58	50	49	52	73
Slot machine	2,053	753	825	876	1,141	3,595	1354
YoY %	64	72	81	64	82	75	80
Others	17,788	5,652	5,536	5,797	6,680	23,665	7668
YoY %	12	32	31	35	34	33	36
Total	56,624	18,407	19,567	20,341	24,707	83,022	29823
YoY %	23	45	50	46	46	47	62

Source: CEIC

ENERGY

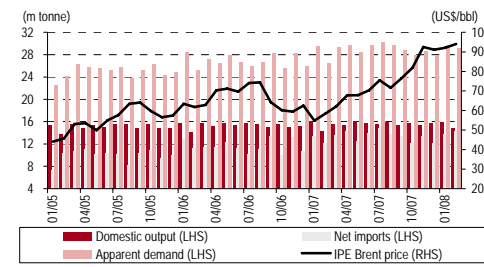
HK listed – Outperform A shares – Outperform

- The price of oil surged sharply in April to a record high towards end of the month on a weak US dollar, supply interruption in Nigeria and strike at a refinery in Scotland. The price of ICE Brent rose from US\$103/bbl to US\$117/bbl before closing the month at US\$115/bbl.
- Asian oils continued to weaken in April relative to global benchmarks. The discount of the price of Minas (the benchmark for Daqing oil) to that of ICE Brent dropped from US\$3.7/bbl at the beginning of the month to US\$9.0/bbl at the end. The discount of the price of Cinta (the benchmark for Shengli oil) to that of ICE Brent increased from US\$9.8/bbl to US\$11.1/bbl during the same period.
- The median settlement price of both Datong high-grade coal rose 1% MoM to Rmb648/tonne, whereas that of Shanxi high-grade coal rose 1% MoM to Rmb600/tonne in April. The coal inventory at Qinhuangdao fell 11% MoM to 6.2m tonnes at the end of the month.
- The FOB price of thermal coal at Newcastle (Australia) rose 3% MoM to US\$125/tonne at the end of April.
- We have raised our forecasts for ICE Brent from US\$86.3/bbl to US\$97.8/bbl for 2008, from US\$78.8/bbl to US\$89.4/bbl for 2009 and from US\$77.5/bbl to US\$82.6/bbl for 2010. We have also increased our long-term oil price forecast from US\$70/bbl to US\$75/bbl.
- We have also removed the two rounds of price cuts (Rmb500/tonne cut at the beginning of 1Q09 and another Rmb400/tonne cut at the beginning of 4Q09) for key refined products (including diesel, gasoline and jet fuel). We now expect these prices to remain unchanged before being cut Rmb500/tonne at the beginning of 2Q10.

Sinopec (0386.HK/HK\$8.18; 600028.SS/Rmb12.17) – Marketperform (H ↕); Outperform (A)

Sinopec's earnings only edged up 5% YoY in 2007 and even plummeted 69% YoY in 1Q08 for the H shares. For the A shares, its earnings rose 5% YoY in 2007 and fell 66% YoY in 1Q08. We cut our earnings forecasts by 53% for 2008 and by 25-29% for 2009 after the poor results and changes in our forecasts for the prices of oil price and refined products. We downgrade our call to **Marketperform** for the H shares and reaffirm our **Outperform** call on the A shares.

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	97.8	89.4	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)

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

- The China banking sector's widening net interest margins, rapidly expanding non-interest income, decreasing credit costs and lower tax rate had driven net profit growth of 95% YoY in 1Q08. But looking forward, we estimated that net profit growth in 2Q08 would decelerate to 60% YoY due to lower fee income growth and NIM expansion. We are becoming more cautious and would keep an eye on the industrial profit growth in 2Q in order to make a judgement on asset quality of banks.

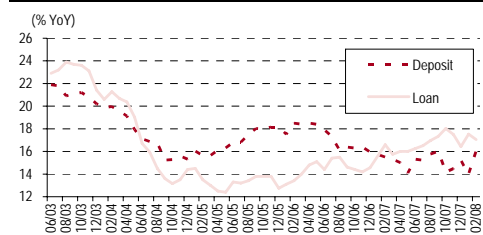
Nanjing Bank (601009.SS/Rmb15.08) – Outperform

Nanjing Commercial Bank announced that its net profit for 1Q08 jumped 172% YoY and 58% QoQ to Rmb410m on the back a wider net interest margin (NIM) and a revaluation gain from bond investments. The results are in line with market expectation. Looking forward, we believe that the NIM will continue to expand on rising bond yield. We also like the bank for its low exposure to loans. We believe that NJB's credit risk is lower than that of other listed banks. It is currently trading at 14x 08E P/E and 2.6x 2008E P/B, lower than the sector average. We maintain our **Outperform** rating on the counter.

Bank of China (3988.HK/HK\$3.88; 601988.SS/Rmb5.00) – Outperform

The 1Q08 net profit of Bank of China (BoC) based on IFRS grew 85% YoY to Rmb21.6n, 15% above our forecast due to a lower-than-expected provision for subprime exposure. BOC booked a loss provision of about Rmb2.2bn for its subprime exposure and Alt-A securities, which is 60% below our estimate. We lower our full-year provision forecast for BOC and raise our fee income growth projection. Accordingly, we lift our 2008 earnings forecast by 9%. BOC shares currently trade at 2008 P/E of 11x and P/B of 1.99x, undemanding in view of its long-term growth prospects. We reaffirm our **Outperform** rating on the stock.

Loan and Deposit Growth



Source: NBS

Key Statistics

	07	08E	09E	Oct07	Nov	Dec	Jan08	Feb	Mar
New incremental loans (Rmb bn)	3,630	3,630	3,800	283.5	136.1	87.4	48.5	80.4	24.3
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	3.0	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	n.a	n.a	n.a
NPLs (%)	6.8	6.5	6.6	6.63	n.a	n.a	n.a	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)

HK listed – Marketperform

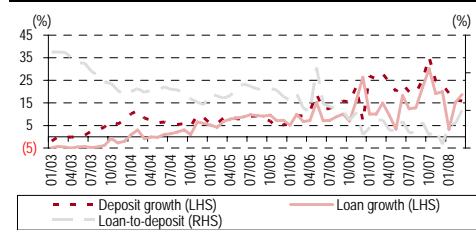
- According to mReferral, April 2008 existing homes new mortgage market shares were 18.2% for BOC (Hong Kong), 12.8% for Hang Seng Bank, 11.5% for HSBC, 7.1% for Standard Chartered, 5.7% for DBS (Hong Kong), 4.8% for Bank of East Asia, 4.5% for CCB (Asia), 3.3% for ICBC (Asia), 3.3% for Dah Sing Bank and 2.9% for CITIC Ka Wah Bank.

Bank of East Asia (0023.HK/HK\$42.60) – Marketperform ↓

CITIC International Financial (0183.HK/HK\$5.05) – Outperform

One noteworthy item in the 1Q08 unaudited results of Wing Lung Bank was that it made an incremental mark-to-market loss for its collateralised debt obligation (CDO) exposure (all mezzanine tranches) of 22.5% (even though there were no defaults in the underlying entities) and an incremental 36.5% impairment for its structured investment vehicle (SIV) exposure. We do not expect any need for material adjustments for BOC Hong Kong, Hang Seng Bank and ICBC (Asia), given the size of their exposures to CDO and SIV (BOCHK's exposure and impairment were disclosed in its 1Q08 statement and, therefore, fully accounted for). We do not expect material impact from adjustments for additional impairment charges for Chong Hing Bank with 75.7% SIV coverage, Wing Hang Bank with 5% 2008E net profit impact for adjusting CDO impairment to 20% in 2008E (current: 10%), and Dah Sing Bank/Dah Sing Financial with existing total assumed impaired coverage of 81.7% or Fubon (Hong Kong) with existing assumed CDO and SIV impairment coverage of 48.6% and 58.6%, respectively. As a result of adjusting our impairment estimates and incorporating the latest financial information, we lower our target price for Bank of East Asia (BEA) to HK\$49.30 from HK\$51.50 and downgrade our rating to **Marketperform** from **Outperform** as we expect additional CDO write-down and mainland China austerity measures to compromise its near-term profit growth. We raise our target price for CITIC International Financial (CIFH) to HK\$6.20 from HK\$4.60 as we expect it to benefit from improved operating results of China CITIC Bank.

Loan and Deposit Growths



Source: HKMA

Key Statistics

	07	08E	09E	Oct07	Nov	Dec	Jan08	Feb	Mar
Prime	6.85	5.50	5.50	7.50	7.10	6.85	6.56	5.75	5.56
3M HIBOR	3.75	2.00	2.00	5.10	3.67	3.75	2.97	2.31	2.06
Prime - HIBOR	3.10	3.50	3.50	2.40	3.43	3.10	3.59	3.44	3.50
Savings deposit rate	1.35	0.20	0.20	2.0	1.6	1.4	1.1	0.3	0.2
Loan growth (% YoY)	20.0	12.0	10.0	30.1	19.1	20.0	19.9	15.3	18.7
Deposit growth (% YoY)	23.1	15.0	12.5	35.1	24.6	23.1	19.3	16.2	15.9

Sources: HKMA, BOCI Research estimates

FINANCIALS – Insurance

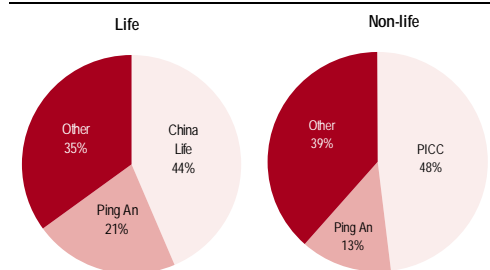
HK listed – Outperform

- The earnings of listed insurance companies for 1Q08 were in line with market expectations. The stocks may rebound in line with that of the A-share market. However, we maintain or cautious view on the insurance sector. We believe that the equity investment returns will boost the total investment returns for 2008. **Outperform to Marketperform.**

Ping An Insurance (2318.HK/HK\$69.90; 601318.SS/Rmb64.08) – Marketperform

The 1Q08 net profit of Ping An Insurance came in up 23% YoY at Rmb7.2bn, under International Financial Reporting Standards (IFRS), on the back of good stock management skills, cost controls and growth in the banking business. The company beat our earnings estimate due to lower-than-expected benefit reserves and commissions expenses. The investment income of Ping An only declined 35%, less than that of China Life. We estimate that Ping An sold stocks to take profit in 1Q08, which made its investment yield better than that of peers. Although we expect Ping An to outperform the market due to its excellent management capabilities, we maintain a conservative view on the equity investment yield since we are cautious about the stock markets' performances. Besides, we expect Ping An's commission expenses to rise amid stiffer competition. The company's premium income in 1Q08 only grew 35%, lower than that of China Life. We estimate that the slowdown in general insurance premium income dragged growth. We estimate that premium income growth will decelerate going forward. So, we still maintain our profit forecast for 2008 and reaffirm our **Marketperform** rating on the stock.

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

HK listed – Outperform
A listed – Underperform

- Shenzhen's monopoly cable operator. Topway Video Communications. is pitching its IPO of 67m new shares (25.1% of enlarged capital) at Rmb6.98 per share, or 22x 2008P/E based on lead underwriter Guoxin Securities' forecasts.
- The General Administration of Press and Publication (GAPP) has laid out a timetable for the industry reform. The 158 centrally owned publishers in Beijing will be reformed in three years, with 50 of them to be corporatised within 2008. GAPP also plans to reform newspapers and magazines in three years.

Sichuan Xinhua Winshare (0811.HK/HK\$3.87) – Outperform

Even though Sichuan Xinhua Winshare's 2007 profit came in on par with our estimate, we trim our current year forecast by 4% to Rmb445m (EPS:Rmb0.392) to reflect our concerns over the slow revenue growth. As global peers trade at lower multiples following the worldwide stock market correction, we also trim our target price to HK\$8.10 from HK\$9.10. We reaffirm our **Outperform** call on the stock.

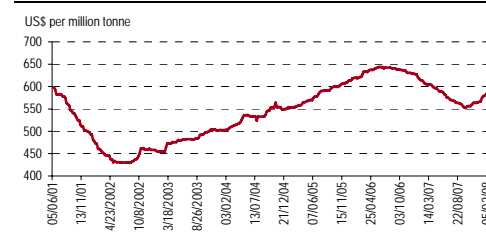
Beijing Gehua CATV (600037.SS/Rmb21.93) – Underperform

On account of Beijing Gehua's weak earnings growth in 2007 and profit decline in 1Q08, we trim our forecasts by 18.2% to Rmb346m (EPS: Rmb0.327) for 2008 and a massive 45% to Rmb294m for 2009. Using 40x the stock's 12-month forward P/E, slightly below the 43x average since its listing in February 2001, we lower our target price to Rmb12.50 from Rmb17.70. We reiterate our **Underperform** call on Gehua.

Shanghai Oriental Pearl (600832.SS/Rmb13.38) – Underperform

SOPG's attributable profit for 2007 surged 50.4% YoY i in to Rmb636.7m (EPS: Rmb0.33). However, its recurrent net income fell 31.5% YoY to Rmb265.2m (EPS: Rmb0.137) mainly because of its associate and exceptional profits, especially the disposal of saleable securities, trading securities and held-to-maturity securities, the total of which amounted to Rmb359.86m. Excluding this, 2007 operating profit decreased 15% YoY to Rmb419m, in line with our expectation. We lower our target price to Rmb11.60 from Rmb12.30 and reiterate our **Underperform** call.

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

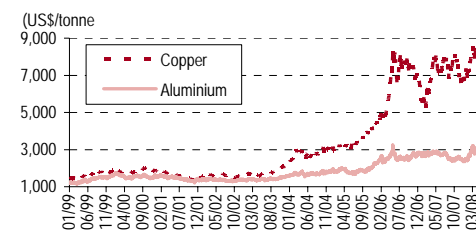
HK listed – Outperform
A shares – Outperform

- The reporting season has ended. Among the metal and mining companies under our coverage, Shandong Gold recorded the biggest surge in 1Q08 earnings of nearly 5x to Rmb214m on acquisition gains.
- Steel companies posted mixed 1Q08 results with upside surprises from Chongqing Iron & Steel (CIS) and Wuhan Steel as both made niche products that enjoyed bigger price increases than peers. We believe niche steel producers and steel companies with their own iron ore will be able to weather rising cost pressures. We prefer Angang, CIS, Nanjing Steel, Wuhan Steel, and Panzhihua Steel.
- Margin squeezes hit the downstream companies, such as Hunan Nonferrous Metals, Chalco, but Jiangxi Copper surprised the market with 46% YoY rise in its 1Q08 net profit, thanks to the rapid increase in the price of its sulphuric acid, which allowed it to offset the drop in its smelting margin.
- Zijin Mining saw volatile share price movements on its debut in the A-share market, although the price of its H shares remained stable. This was because the A-share listing had already been reflected.

Chongqing Iron & Steel (1053.HK/HK\$3.24; 601005.SS/Rmb6.56) – Outperform

We recently upgraded our earnings forecasts for CIS by 57% for 2008, 82% for 2009 and 172% for 2010 on higher sales volume and stronger selling price for steel plates, mostly used in shipbuilding. CIS is undertaking two new projects – a hot-rolled steel sheets one with a capacity of approximately 2.5m tonnes and a thick plate one with an estimated capacity of 1.8m tonnes. Both projects are scheduled to start pilot production in 2H09 and commence commercial production at the end of that year.

3-month Futures Aluminium and Copper



Source: LME

Key Statistics

(% YoY)	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
Quick speed wire rod	(5)	15	20	30.0	45.3	38.7	43.4	51.3	53.5
Ord. Plate -40mm	(12)	17	20	26.0	36.5	32.0	35.8	43.4	48.1
Cold-rolled sheet	(10)	10	15	15.0	25.0	20.7	23.3	39.2	40.4
Hot-rolled sheet	(19)	5	15	8.0	15.0	12.5	20.6	26.4	30.4
Galvanised steel	(13)	1	15	(7.0)	(4.0)	(1.0)	3.2	12.5	18.6
Aluminium	21	(5)	5	(16.0)	(17.0)	(13.4)	(4.6)	(0.4)	(4.3)
Copper	77	0	0	(10.0)	(9.0)	6.0	21.2	13.5	(6.0)

Sources: Bloomberg, Company data, BOCI Research estimates

PROPERTY (China)

HK listed – Outperform
A shares – Marketperform

- In April 2008, China's State Administration of Taxation issued a policy on corporate tax requiring developers to pay provisional tax to local tax bureaux based on each company's pre-sale figures at a 20% minimum rate for Tier-1 cities. As the tax rate has decreased to 25% from 33%, the pre-paid tax is not expected to increase developers' burden.
- The ASP of commodity houses in 70 mainland cities grew 10.7% YoY in March, 0.2ppt lower than that in February, according to NDRC statistics. Urumqi, Haikou and Ningbo led the way with price increases of 25.3%, 18.3%, and 18.2%, respectively.

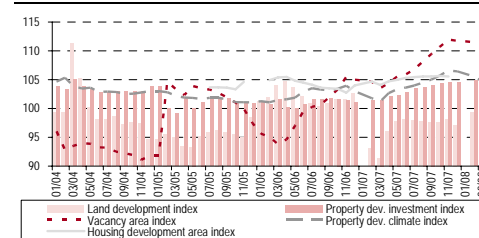
China Vanke (000002.SZ/Rmb21.88; 200002.SZ/HK\$19.04) – Outperform

China Vanke's net profit for 1Q08 grew 17.3% YoY to Rmb718m, while revenue surged 55.6% YoY to Rmb6.4bn. Compared to 1Q07, Vanke's gross margin dropped from 32.1% to 28.5%. In 1Q08, Vanke sold a total area of 1.415m sqm for sales revenue of Rmb10.1bn, up 82.9% and 119% YoY, respectively. The ASP in 1Q08 was Rmb8,821/sqm, 3.38% higher than in 2007. The company booked an area of 0.8m sqm for revenue of Rmb6.29bn. The company has a sold, but yet-to-be-booked, area of 3.19m sqm, involving contract sales of Rmb26.58bn. This means Vanke has locked in 48% of our earnings forecast for 2008.

Agile Property Holdings (3383.HK/HK\$9.97) – Outperform

Agile Property's 2007 net profit attributable to shareholders surged 69% YoY to Rmb2.1bn, 11% better than our forecast mainly due to a higher-than-expected ASP. The company's revenue grew 54.5% YoY to Rmb10.3bn. The group's recognised sales of a GFA of 1.4m sqm, up 32%. Agile has already posted growth of 26% YoY to 1.77m sqm for its targeted recognised GFA and has, to date, locked in 20% of its targeted figure for the full year. In 2007, Currently, Agile has 51 projects across 20 cities or regions in China. Its total land bank of 28.4m sqm is adequate for eight years of development without any new additions.

Property Indices



Source: Soufun.com

Key Statistics

(% YoY)	06	07	08E	Sep07	Oct	Nov	Dec	J-F08	Mar
Property investment	23	30	23	28	39	35	23	33	32
Residential property investment	26	32	25	36	41	34	25	31	39
Commodity housing starts (area)	17	21	18	4	34	26	12	27	24
Commodity housing completion area	9	10	10	4	(2)	5	12	32	21
Commodity housing sales area	38	26	22	36	27	24	11	(4)	2
Commodity housing sales amount	55	44	31	77	59	30	28	(4)	9
Average selling prices	13	15	7	14	15	14	15	0	3

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

PROPERTY (Hong Kong)

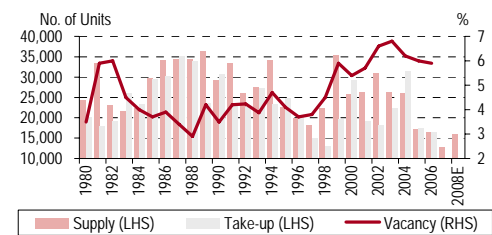
Developers – Marketperform ↓
Investors – Outperform
REITs – Outperform

■ We downgrade the sector to **Marketperform** from **Outperform**. After a strong recovery since 2Q07, we believe the residential market has begun to consolidate and forecast that average prices to fall 10% for mass residential properties and 15% for high-end ones from now to the end of the year. Among developers, we believe New World Development (NWD) is likely to outperform others, while Sino Land and Kerry Properties are more vulnerable.

MTR Corporation (0066.HK/HK\$26.85) – Outperform

Following our projections of drops in Hong Kong prices of 10% for mass residential properties and 15% for high-end ones from now to the end of the year, we lower our forward NAV estimate for MTRC from HK\$40.10 to HK\$34.30. As a result, we cut our target price for MTRC from HK\$34.10 to HK\$30.90, based on a 10% discount to its forward NAV. We believe MTRC remains one of best defensive choices given its stable operations in the railway business, as well as the limited downside for projects tendered to developers (mainly profit-sharing, and no land premium fixed for projects pending tender). Our revised target price still represents a potential upside of 13% from the current level, and we reaffirm our **Outperform** rating on the company.

Private Residential Property Completions and Sales



Sources: Housing Department, Centaline

Key Statistics

	06	07	08E	Sep07	Oct	Nov	Dec	Jan08	Feb	Mar
CCI	1	22	23	1	1	1	1	31	35	-
CCL Index	3	24	25	1	1	1	1	33	36	29
Trans. No.	(20)	47	20	58	(7)	75	112	93	57	16
Trans. Val	(20)	67	43	76	(3)	133	214	149	95	37
Primary trans	(19)	40	20	6	(42)	71	216	77	(55)	211
Unsold stock	12	(59)	(35)	(43)	(48)	(51)	(59)	(64)	(63)	-

Sources: Centaline, Midland, BOCI Research estimates

SMALL/MID-CAP

HK listed – Outperform

■ We recently published a sector report that analyses the ladies' consumption power in China. We are optimistic about the growth prospects of this particular market segment. Two key beneficiaries are Luk Fook and Natural Beauty.

Natural Beauty (0157.HK/HK\$1.92) – Outperform

Natural Beauty (NB), a well-recognised franchisee chain of spas in Greater China with over 30 years of history, deploys a vertically-integrated business model, from in-house Research and Development, product manufacturing and distribution to spa operation and beautician training. It manufactures and sells its own products under the Natural Beauty brand and the Fonperi brand through a network of over 3,300 sales points in Asia. Thanks to network expansion through franchisees and improved average sales per store, NB is expected to register an earning CAGR of 24.3% during 2007-10. Store-front revamping and product repackaging programme are expected to improve both sale and gross margin. NB's shares trade at 16.3x 12-month forward P/E, representing a 56.0% discount to the historical high of 37.0x and one par with the historical average. We believe NB deserves a positive re-rating, since its growth momentum is stronger than ever. Assigning a fair 2008E P/E of 21.2x, the average of global skincare products and cosmetics providers, we derived a target price for NB of HK\$2.33, representing a potential upside of 21.4% from the current level. We initiate the coverage on NB with an **Outperform** rating.

Luk Fook (0590.HK/HK\$5.18) – Outperform

In China, Luk Fook now has over 350 licensed stores. Each licensed outlet, on average, has been seeing same-store growth of about 20% YoY with an average ticket price of around Rmb2,000. Luk Fook will increase the number of licensed outlets by 20% each year. China now accounts for over 35% of its bottom line. In Hong Kong, patronage from Chinese tourists is surging, thanks to the Individual Visitor Scheme. Ticket-price per transaction for these customers is rising due to the more prevalent use of China UnionPay, which has no credit limit. Given the strong same-store growth of over 20%, Luk Fook's rental-to-sales ratio has declined. Luk Fook's valuation is cheap relative to Chow Sang Sang, which has a volatile stock brokerage business, and, Sa Sa International, which is yet to make a dime in China. Pegging a fair P/E of 15x against our FY09 profit estimate, the fair price stands at HK\$8.59. We upgrade Luk Fook from Underperform to **Outperform**.

Natural Beauty – Profit and Loss

Year ended 31 Dec	2006	2007	2008E	2009E	2010E
Revenue (HK\$ m)	364	450	563	716	905
Change (%)	1.6	23.8	25.2	27.1	26.3
Net profit (HK\$ m)	123	179	220	268	343
Fully diluted EPS (HK\$)	0.062	0.089	0.110	0.134	0.171
Change (%)	51.9	44.9	23.2	21.9	27.8
P/E (x)	31.2	21.5	17.5	14.3	11.2
OP CFPS (HK\$)	0.055	0.140	0.083	0.146	0.132
P/CF (x)	34.8	13.7	23.1	13.2	14.6
EV/EBITDA (x)	17.6	15.4	12.6	9.8	7.6
DPS (HK\$)	0.063	0.150	0.088	0.107	0.137
Yield (%)	3.3	7.8	4.6	5.6	7.1

Sources: Company data, BOCI Research estimates

Lung Kee – Profit and Loss

Year ended 31 March	2006	2007	2008E	2009E	2010E
Revenue (HK\$ m)	2,126	2,845	3,172	3,437	3,726
Change (%)	8	34	12	8	8
Net profit (HK\$ m)	96	198	243	281	324
Fully diluted EPS (HK\$)	0.20	0.38	0.49	0.57	0.66
Change (%)	(6)	95	30	16	15
P/E (x)	26.5	13.6	10.5	9.0	7.9
EV/EBITDA (x)	18.6	9.8	7.7	6.7	6.0
DPS (HK\$)	0.10	0.18	0.25	0.29	0.33
Yield (%)	1.9	3.5	4.8	5.5	6.4

Source: Company data, BOCI Research estimates

TELECOMS (China)

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

- Former Minister of Information Industry Wang Xudong has been moved to head the China Electricity Regulatory Commission barely a month after becoming a vice-minister at the newly created Ministry of Industry and Information. The new MII has yet to be formally established, as its internal organisation and its functions are yet to be finalised, pending an amalgamation with the State Council Information Office, the National Defence Science Commission and certain departments of the National Development Reform Commission.

**China Unicom (0762.HK/HK\$16.92; 600050.SS/Rmb9.92) – Outperform (H);
Marketperform (A)**

On account of China Unicom’s lower-than-expected 1Q08 profit, we trim our earnings forecast for the red chips by 5.1% to Rmb8.84bn (EPS: Rmb0.648) for 2008 and 3.4% to Rmb10.8bn (EPS: Rmb0.792) for 2009. Similarly, we lower our A-share forecast by 1.7% for 2008 and 0.7% for 2009. Our target prices are unchanged and we reiterate our **Outperform** rating for the red chips and the **Marketperform** call for the A shares.

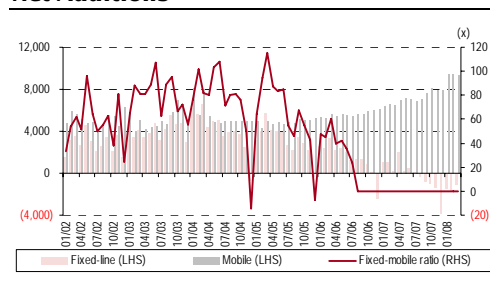
China Mobile (0941.HK/HK\$129.10) – Underperform

Following China Mobile’s 1Q08 net income growth of 37.1% YoY to Rmb24.1bn (EPS: Rmb1.205), about 3% higher than our estimate, we raise our earnings forecasts by 2.3% to Rmb110.2bn (EPS: 5.511) for 2008. As we regard the stock as being fully valued at this stage, it stays an **Underperform**.

China Telecom (0728.HK/HK\$5.61) – Underperform

China Telecom’s net income for 1Q08 edged up 0.5% YoY to Rmb6.25bn (EPS: Rmb0.077), and we trim our 2008 profit forecast by 4.5% to Rmb26.14bn (EPS: 0.323), but leave our target price unchanged at HK\$6.30. We reiterate our **Underperform** call on the stock.

**Fixed-line and Mobile Networks’ Monthly
Net Additions**



Sources: MII

Key Statistics

(m subscribers)	2007	2008E	2009E	Nov07	Dec	Jan08	Feb	Mar
National mobile sub.	547.3	641.0	728.1	539.4	547.3	555.8	565.2	574.6
net adds	86.2	93.7	87.1	7.9	7.9	9.5	9.5	9.4
CM total subscribers	369.3	444.3	511.7	362.8	369.3	376.4	384.4	392.1
net adds in period	68.1	74.9	67.4	6.5	6.6	7.0	8.0	7.8
CU-G total sub.	119.2	136.5	154.1	118.1	119.2	121.7	122.9	124.2
net adds in period	13.3	17.4	17.6	1.1	1.0	1.1	1.2	1.3
CU-C total sub.	41.1	46.2	49.9	40.8	41.1	42.2	42.5	42.8
net adds in period	4.6	5.1	3.7	0.3	0.3	0.3	0.3	0.3
National broadband sub	66.5	82.1	96.1	65.6	66.5	68.3	69.8	71.5
net adds in period	15.6	15.6	14.0	1.2	0.9	1.8	1.5	1.7
CT broadband sub.	35.7	43.0	49.6	35.1	35.7	36.3	37.0	37.2
net adds in period	7.3	7.3	6.6	0.6	0.6	0.6	0.7	0.2
CN broadband sub.	19.8	24.5	28.7	19.3	19.8	20.5	21.0	21.7
net adds in period	4.7	4.7	4.2	0.5	0.5	0.8	0.5	0.6
National fixed-line sub.	365.4	363.9	365.6	369	365	364	362	361
net adds	(2.3)	(1.5)	1.7	(1.4)	(3.9)	(1.5)	(1.8)	(1.1)

Sources: MII, Company data, BOCI Research estimates

TELECOMS (Hong Kong)

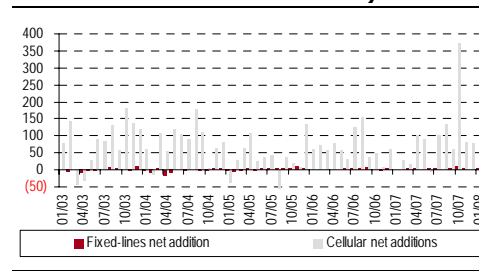
HK listed – Underperform

- The Hong Kong Broadcast Authority has concluded that PCCW chairman Richard Li has not contravened the cross-media ownership regulation with his 50% interest in the *Hong Kong Economic Journal*, a Chinese language financial daily. It regards Li as not exercising control over PCCW Media, a licensed broadcaster wholly owned by PCCW, despite his being the largest shareholder of the latter with a 26% stake.

Hutchison Telecom International (2332.HK/HK\$11.00) – Underperform

Due to HTIL’s lower-than-expected 1Q08 profit, we trim our profit forecasts by 23% to HK\$1.53bn (EPS: HK\$0.32) for 2008 and about 12% to HK\$2.21bn (EPS: HK\$0.462) for 2009. However, we leave unchanged our target price. We reiterate our **Underperform** rating on the stock.

Fixed-line and Mobile – Monthly Net Adds



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

Key Statistics

(m subscribers)	07	08E	09E	Aug07	Sep	Oct	Nov	Dec	Jan08
Fixed-line installed	3.72	3.78	3.82	3.87	3.87	3.87	3.87	3.72	3.72
Business	1.74	1.78	1.81	1.72	1.73	1.74	1.74	1.74	1.75
Residential	1.98	1.99	2.01	2.14	2.14	2.13	2.13	1.98	1.98
Ported fixed-line numbers	15.17	13.86	13.31	16.41	14.69	16.94	17.03	15.37	n.a.
Internet connections	2.68	2.77	2.82	2.63	2.64	2.65	2.66	2.68	2.68
Narrowband dialup	0.96	0.96	0.95	0.95	0.95	0.95	0.95	0.96	0.96
Residential broadband	1.72	1.81	1.87	1.68	1.69	1.70	1.71	1.72	1.72
Cellular users	9.63	10.50	11.25	9.04	9.10	9.47	9.55	9.63	n.a.
IDD traffic (m minutes)	9.50	10.26	10.88	6.20	7.02	7.87	8.70	9.50	0.84
Outgoing	7.24	7.96	8.56	4.75	5.37	6.01	6.63	7.24	0.63
Incoming	2.26	2.30	2.32	1.45	1.65	1.86	2.06	2.26	0.21

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

TRANSPORT – Aviation

HK listed – Outperform
A listed – Outperform

- China Eastern Airlines was fined Rmb1.5mn (US\$215th) after several domestic flights returned to their airports of departure soon after taking off between 31 March and 1 April. Regulator China Civil Aviation Administration (CAAC) also suspended the airline's operating licences for certain routes in southern China's Yunnan Province after a probe found no technical reasons to explain most of the returns of the flights. CAAC will transfer the operating licences to other carriers.

Air China (0753.HK/HK\$5.69; 601111.SS/Rmb14.16) – Outperform

Air China's net profit for 1Q08 surged 147% YoY to Rmb1.04bn on an operating revenue increase of 21.8% YoY to Rmb12.76bn. The aviation yield increased as revenue passenger kilometres (RPK) rose only a mild 9.3% YoY, compared with the revenue increase. We believe currency exchange gains also accounted for 80% of the net profit. However, the company's performance varies heavily for seasonal reasons, and we need to watch oil price movements and traffic demand. As the results came in on par with our expectations, we reaffirm our **Outperform** call on Air China. Air China's RPK in March rose 1.3% YoY to 5,596m, while passenger load factor dropped 0.1ppt YoY to 78%.

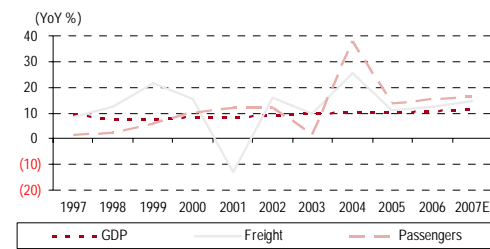
China Southern Airlines (1055.HK/HK\$4.89; 600029.SS/Rmb11.77) – NR

CSA's RPK in March rose 6.3% YoY to 6951m, while passenger load factor rose 0.9ppt YoY to 74.5%.

China Eastern Airlines (0670.HK/HK\$3.38 600115.SS/Rmb10.38) – NR

CEA's RPK in March rose 1.7% YoY to 4585m, while passenger load factor reduced 1.2ppt YoY to 72.9%.

Passengers, Freight & GDP YoY Growth



Sources: NBS, BOCI Research estimates

Key Statistics

	05	06	07	Oct07	Nov	Dec	Jan08	Feb	Mar
RPK YoY %									
Air China	13	15	14	7	9	9	18	10	1
CSA	67	12	15	16	19	22	22	13	6
CEA	32	38	12	15	16	16	14	5	2
Passenger loading factor (%)									
Air China	74	76	77	83	79	76	77	77	78
CSA	70	72	73	72	75	73	74	74	75
CEA	69	71	70	76	76	71	72	71	73

Sources: Bloomberg, Company data, BOCI Research estimates

TRANSPORT – Land

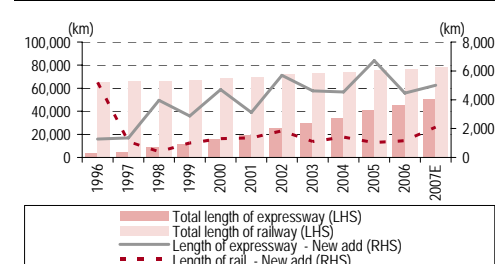
HK listed – Outperform
A listed – Outperform

- Work to build Nanning-Guangzhou Railway, with a total length of 414km, will start in November 2008. The project will take four years to complete and involve total investment of Rmb33.1bn, which the Ministry of Railway (MoR) and the Guangxi Government will fork out equally. On completion of the project, it will take three and a half hours to travel from Nanning to Guangzhou, eight hours less than current highway transport.

Daqin Railway (601006.SZ/Rmb17.75) – Outperform

Daqin Railway's net profit for 1Q08 grew 31.8% YoY to Rmb 2,090m, as revenue rose 22.4% YoY to Rmb5.507m. The company's net profit for 2007 grew 38.37% YoY to Rmb 6,109.4m as revenue increased 22.4% YoY to Rmb20,860m. The annual coal transport volume of the company reached 325 m tons in 2007, representing 21.46% of the national total. Average daily heavy-haul pairs reached 83.2, of which 22.4 had capacity of 20,000 tons and 18.1 had a capacity of 10,000 tons. Average daily coal transport volume reached 832,300 tons. Heavy consumption in the power and steel sectors drove the demand for coal in 2007. The national coal output grew 8% YoY. In 2007; the company's coal transport volume grew 19.1% YoY to 325m tons. The company has set a volume target of 350 m tons for 2008. We maintain our target price of Rmb20.37, equivalent to 30x 2008E P/E (based on a post-acquisition EPS). We reaffirm our **Outperform** rating on the stock.

Total Length of Railway and Expressway



Sources: MOC, CEIC

Key Statistics

	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Railway									
Passenger carried (person, bn)	1,267	1,394	1,548	121	103	107	119	129	119
Passenger turnover (person-km, bn)	662	728	809	61	51	51	65	74	70
Freight carried (tonne, bn)	2,890	3,121	3,371	271	259	269	267	257	286
Freight turnover (tonne-km, bn)	2,176	2,307	2,445	206	204	210	202	183	219
FAI (Rmb bn)	204	322	507	20	22	24	11	n/a	16
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	103	95	96	98	107	104
Freight carried (tonne, bn)	15	16	17	1	1	2	1	1	1
Freight turnover (tonne-km, bn)	965	1,070	1,187	98	99	114	95	90	102
FAI (Rmb bn)	628	749	880	65	70	96	36	n/a	39

Sources: CEIC, MOC, BOCI Research estimates

TRANSPORT – Marine

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

- The Baltic Dry Index (BDI) continued to strengthen in April, rising 15.8% from 8,081 to 9,356. The year-to-date average closing of the index stood at 7,603.4.
- The very large crude carrier (VLCC) rate went through a roller-coaster rise in April, ranging from WS67.5 to WS112.5. It closed 28.6% MoM higher in April at WS112.5. The year-to-date average closing was WS95.3.

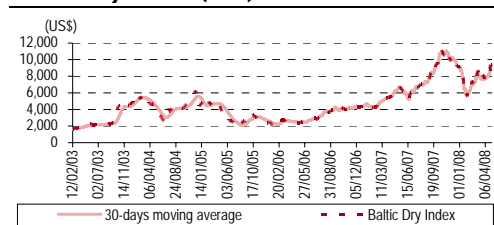
China Communications Construction (1800.HK/HK\$17.56) – Outperform

CCC's 2007 net profit surged 88.6% YoY to Rmb6.0bn, while turnover grew 31.1% YoY to Rmb150.6bn. In 2007, CCC saw its new contract value jump 52.2% YoY to Rmb234.3bn, on the back of a 51.6% YoY leap to Rmb226.5bn in new orders for its four core business divisions. We raise our 2008 earnings forecasts for CCC by 14.8% from Rmb7.8bn to Rmb9.0bn after lifting our turnover forecast from Rmb204bn to Rmb216bn. We also raise our projection for the company's EBIT margin to 7.3%, as we strongly believe that the order flows will sustain their momentum and see the company expand its profitability through increased proportions of high-margin projects and development of new businesses. We reiterate our **Outperform** rating on CCC, and raise our target price from HK\$20.00 to HK\$26.00.

China Shipping Development (1138.HK/HK\$24.95; 600026.SS/Rmb30.90) – Outperform

CSD's 1Q08 net profit increased 60.1% YoY to Rmb1.68bn on a 59.1% YoY rise in turnover to Rmb4.5bn. The surge in CSD's profit was due to: i) a 40% YoY rise in average freight rates for the domestic bulk cargo transportation contracts in 2008; ii) a 632.7% increase in investment income after a rise in shipping capacity and operating results of the company's JVs; and iii) a 232.9% YoY surge to Rmb177.7m in net non-operating income mainly from the disposal of six old vessels. We raise our 2008 earnings forecasts for CSD by 7.3% from Rmb6.2bn to Rmb6.6bn after factoring in a gain from the disposal of old vessels and adjustments of our estimates for its investment income and operating costs. We reiterate our **Outperform** ratings on both CSD's H and A shares, and lift our prices from HK\$28.70 to HK\$30.05 and Rmb40.80 to Rmb43.00, respectively.

Baltic Dry Index (BDI) Trend



Sources: Bloomberg

Key Statistics

% YoY	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Shenzhen	14	10	15	9	15	40	18	(9)	45
Shanghai	20	25	15	18	17	19	26	3	18
Dalian	21	20	27	15	35	21	41	7	41
Tianjin	24	28	20	19	21	10	18	23	23
Qingdao	22	24	20	19	15	23	10	19	7
Xiamen	20	18	10	25	(2)	13	13	(1)	10
Ningbo	36	30	25	25	18	33	26	14	22
Guangzhou	41	40	35	24	24	55	49	22	35

Sources: MOC, BOCI Research estimates

UTILITIES (China)

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

- We highlighted in April the buying opportunities in China independent power producers (IPPs) on the release of the extremely bad results for 1Q08. We believe there are now buying opportunities as pessimism over the sector has peaked and hopes for a tariff hike in 2H08 have risen. The call has done well, especially with local talks that proposals to improve the profitability of IPPs have been handed to the State Council for consideration. After some handsome gain of 20-30% from a low, we believe that the sector is facing a lot more challenging time ahead. The degree of tariff hike or any form of subsidy is critical as it is the "judgement day" for the level of long-term return for the sector.

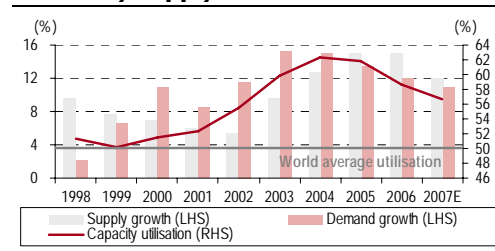
Datang Power (0991.HK/HK\$5.13; 601991.SS/Rmb12.92) – Outperform

Trading at 14x 2009E P/E, we believe that Datang's valuation is not demanding, assuming that tariff could be lifted in the next six months. Datang is one of the largest power generation companies in China. Yet, we believe that it will still deliver EPS CAGR of around 10% after 2009 on strong electricity demand.

Huadian Power (1071.HK/HK\$2.63; 600027.SS/Rmb5.41) – Outperform

Trading at a 2009E P/E of 14x, we believe the valuation of Huadian is not demanding with the assumption that tariff will eventually be lifted to cover a significant part of the coal cost increase. We believe that the key driver for the company's share price from here will be the timing and extent of the tariff increase. With thin margins, Huadian is extremely sensitive to any change in tariffs and coal prices.

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								
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

- While the two Hong Kong electricity companies are default candidates for defensive holdings under the current volatile investment environment, we believe that the valuations are rich at the moment. We believe that the gas companies are more attractive with the defensive nature yet high long term growth potentials in China.

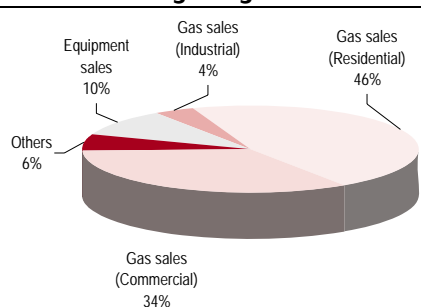
CLP Holdings (0002.HK/HK\$60.65) – Underperform

CLP's total revenue for 1Q08 came in up 19.1% YoY with revenue from the Hong Kong electricity business up 6.4% YoY. Local electricity sales edged up 1.2% YoY, thanks to a 14.2% YoY increase in residential sales. Manufacturing sales is, however, fell 7.4% YoY, due to closures and production slowdowns in industries. Electricity sales to China increased a significant 25.9% YoY due to the severe snowstorms in Southern China in February. Total electricity sales increased 5%. First interim dividend for 2008 amounted to HK\$0.52 per share and will be payable on 13 June 2008.

Towngas China (1083.HK/HK\$3.46) – Underperform

Trading at 2009E P/E ratios of 13x, TGC's valuation is, in our view, not demanding. We believe that the company has set up a very good platform for robust growth in coming years, with the support from Hong Kong & China Gas. In fact, HKG has further increase its stake by 37.5m shares in 2007, with the current share holding % increased to 45.3%.

Turnover of Hong Kong & China Gas



Sources: Company data, BOCI Research estimates

Key Statistics

	% YoY	06	07	08E	Oct07	Nov	Dec	Jan08	Feb	Mar
Electricity										
Domestic	(1.1)	(0.5)	(0.5)	(1.2)	3.8	(4.3)	12.1	42.9	10.2	
Commercial	2.2	1.0	1.2	2.4	(4.2)	3.6	10.2	(2.4)	(4.6)	
Industrial	4.2	1.0	0.7	(7.2)	(8.8)	(3.9)	10.4	(11.7)	(4.5)	
Street lighting	2.0	1.0	1.0	0.0	0.0	3.0	(5.3)	3.1	0	
Exports to the mainland	0.7	1.0	1.0	(20.2)	9.5	24.5	27.5	96.3	(2.7)	
Total	0.7	0.8	0.8	(1.0)	(2.5)	3.8	13.4	11.5	(1.5)	
Gas										
Domestic	(2.3)	(0.8)	(0.5)	(3.3)	(0.3)	6.7	(0.6)	4.2	6.1	
Commercial	1.2	1.0	1.3	3.7	1.6	(1.0)	1.6	0.0	(4.4)	
Industrial	0.6	1.0	1.0	(2.9)	4.2	(7.8)	4.1	(2.6)	(10.7)	
Total	(0.8)	(0.0)	0.0	(0.2)	0.8	2.7	0.4	2.4	1.7	

Sources: Company data, BOCI Research estimates

BOCI Stock Universe

China – HK

RIC Company	Price Y/E	1M chg (%)	3M avg chg (%)	Free float T/O	EPS mkt.cap^ (HK\$ m)	EPS (HK\$)	P/E (x)	P/E (x)	EPS gr. (%)	EPS gr. (%)	Yield (%)	Yield (%)	Analyst	Rec	Target price (HK\$)		
Automotive																	
2357 AvlChina (H)	Dec	1.20	(24)	(41)	17	2,006	(0.10)	(0.09)	-	-	59	11	0.0	0.0	Wang Yusheng	U	0.88
1114 Brilliance Auto (R)	Dec	1.48	6	(15)	16	3,311	(0.02)	(66.3)	66.3	-	(200)	0.0	0.0	Eric Hu	U	1.32	
0203 Denway Motors (R)	Dec	4.08	11	(19)	96	19,015	0.38	0.41	10.8	9.9	17	9	4.4	4.6	Eric Hu	OP	4.10
0489 Dongfeng Motor Group (H)	Dec	4.12	5	(25)	83	11,714	0.49	0.56	8.4	7.4	0	14	1.4	1.4	Eric Hu	OP	5.05
0300 Kunming Machine (H/A)	Dec	8.68	20	(20)	5	651	0.91	1.17	9.5	7.4	44	28	3.2	4.1	SHI Qi	OP	26.25
0425 Minth Group (P)	Dec	8.50	5	(26)	7	4,543	0.61	0.85	13.9	10.0	33	39	0.7	1.2	Eric Hu	OP	15.30
1122 Qingling Motors (H)	Dec	1.45	9	(5)	3	1,080	0.08	0.09	18.6	16.2	17	14	2.3	3.1	Eric Hu	OP	2.47
2338 Weichai Power (H/A)	Dec	43.60	34	(23)	48	5,452	5.08	6.74	8.6	6.5	4	33	1.2	1.6	Eric Hu	OP	67.10
Average			8	(22)	34	47,773	0.93	1.22	0.5	17.7	25	(7)	1.6	2.0			
Chemicals																	
0549 Jilin Qifeng (H)	Dec	0.40	3	(32)	0	104	0.14	0.23	3.0	1.7	53	72	19.5	19.5	Ni Xiaoman	U	0.95
0338 Shanghai Petrochem (H/A)	Dec	2.97	8	(38)	58	6,843	(0.05)	0.30	(63.4)	10.0	(119)	(733)	0.0	3.4	Lawrence Lau	U	2.99
0297 Sinofert HK Hldg (R)	Dec	6.11	(13)	(16)	189	13,201	0.35	0.45	17.6	13.7	63	28	0.5	0.5	Ni Xiaoman	OP	9.80
1033 Yizheng Chemical (H/A)	Dec	1.55	(1)	(42)	19	2,170	0.01	0.02	154.4	92.6	(50)	(67)	0.0	0.0	Lawrence Lau	U	1.37
Average			(1)	(32)	67	22,318	0.11	0.25	27.9	29.5	(35)	(257)	0.2	1.3			
Conglomerates																	
0291 China Resources (R)	Dec	26.75	5	(20)	153	29,898	1.00	1.24	26.7	21.6	15	24	1.5	1.9	Ashley Cheung	MP	26.60
Average			5	(20)	153	29,898	1.00	1.24	26.7	21.6	15	24	1.5	1.9			
Consumer Products																	
2020 Anla Sports Products (P)	Dec	9.05	5	(17)	31	5,634	0.34	0.48	26.6	18.8	82	41	1.1	1.6	Ashley Cheung	OP	15.90
0506 China Foods (R)	Dec	4.30	(1)	(26)	19	3,060	0.16	0.23	26.2	19.0	27	38	1.3	1.7	Jenny Chan	OP	4.90
0359 China Haisheng Juice (P)	Dec	1.66	(3)	(15)	2	897	0.15	0.17	11.4	9.9	21	15	2.4	2.7	Frank Lai	OP	1.79
0904 China Green	April	10.42	21	24	18	4,966	0.48	0.58	21.7	18.0	8	21	1.3	1.5	Jenny Chan	OP	12.15
3398 China Ting (P)	Dec	1.43	10	(27)	4	874	0.23	0.27	6.2	5.3	5	17	10.5	11.9	Frank He	OP★	2.08
0828 Dynasty Fine Wines (R)	Dec	1.57	(10)	(49)	4	547	0.14	0.16	11.4	9.7	16	18	5.0	5.7	-	U	2.80
0493 Gome Electrical	Dec	18.00	4	(9)	187	27,147	0.88	1.09	20.6	16.5	36	24	1.9	1.9	Ashley Cheung	OP	23.70
1169 Haier Electronics (P)	Dec	1.21	(5)	(27)	1	610	0.16	0.20	7.6	5.9	19	28	3.5	4.4	-	OP	3.35
0124 Kingway Brewery (R)	Dec	1.63	(4)	(25)	1	1,995	0.00	0.00	-	0.0	0	0	0.0	0.0	-	U	0.96
2319 Mengniu Dairy (P)	Dec	24.85	22	(13)	197	23,742	0.93	1.18	26.8	21.0	26	28	0.7	0.9	Zhao Zongjun	OP	29.40
2331 Li Ning (P)	Dec	23.10	9	(20)	100	7,169	0.75	1.02	30.9	22.7	46	36	1.4	1.9	Ashley Cheung	OP	27.60
0157 Natural Beauty (P)	Dec	1.92	(1)	(23)	2	1,332	0.11	0.13	17.5	14.3	24	22	4.6	5.6	Sarah Xing	OP★	2.33
0751 Skyworth (P)	Mar	0.89	22	(25)	2	1,128	0.10	0.12	8.9	7.4	11	20	4.5	4.5	-	OP	1.10
2618 TCL Communication (R)	Dec	0.27	(4)	(15)	3	670	0.00	0.00	-	-	100	0	0.0	0.0	-	U	-
1070 TCL Multimedia (R)	Dec	0.40	20	(25)	9	783	0.06	0.07	6.6	5.6	(100)	(17)	0.0	0.0	-	OP	0.91
0322 Tingyi (P)	Dec	10.18	(3)	(19)	40	12,901	0.00	0.00	-	0.0	0	0	2.4	0.0	-	U	1.05
0168 Tsingtao Brewery (H/A)	Dec	21.90	7	(16)	54	5,162	0.76	0.99	28.9	22.1	58	31	3.5	4.5	Zhao Zongjun	MP	24.50
3331 Vinda International	Dec	2.52	(7)	(40)	4	806	0.19	0.32	13.3	7.9	111	68	2.0	3.2	Sarah Xing	OP	3.60
2698 Weiqiao Textile (H)	Dec	8.85	(6)	(21)	16	3,698	1.67	1.80	5.3	4.9	(4)	7	5.7	6.1	Frank He	U	8.20
2088 Xiwang Sugar (P)	Dec	3.18	5	(5)	6	981	0.65	0.82	4.9	3.9	34	25	5.3	7.2	Jenny Chan	OP	5.80
8259 North Andre Juice (H)	Dec	0.67	6	(14)	1	269	0.34	0.32	2.0	2.1	128	(6)	1.3	1.3	Jenny Chan	OP	3.50
Average			4	(19)	33	104,372	0.39	0.47	15.4	10.8	31	20	2.8	3.2			
Consumer Services																	
0308 China Travel (R)	Dec	3.42	3	(33)	65	7,162	0.00	0.00	-	0.0	0	0	0.0	0.0	-	NR	-
2006 Jin Jiang Hotel (H)	Dec	2.45	5	(23)	16	4,006	0.10	0.13	24.3	19.3	49	26	1.8	2.2	Kitty Cheung	OP	5.15
0980 Lianhua Supermarket (H)	Dec	10.84	11	3	3	3,021	0.56	0.65	19.5	16.7	65	17	2.1	2.1	Ashley Cheung	OP	10.50
1832 Times	Dec	3.54	26	(5)	2	773	0.20	0.26	17.8	13.6	46	31	3.2	3.2	Ashley Cheung	OP	4.10
8277 Wumart Stores (H)	Dec	6.80	14	3	11	4,579	0.36	0.45	18.8	15.0	32	25	1.6	3.3	Ashley Cheung	OP	9.15
Average			12	(11)	20	3,908	0.24	0.30	20.1	12.9	38	20	1.7	2.1			
Energy																	
0606 China Agri-Industries (R)	Dec	5.39	12	3	648	8,200	0.46	0.52	11.7	10.4	43	12	1.3	1.5	Lawrence Lau	OP	5.96
1898 China Coal (H/A)	Dec	15.40	2	(37)	649	63,298	0.76	1.08	20.4	14.3	32	42	1.0	1.4	Lawrence Lau	OP	22.64
2883 China Oilfield Services (H/A)	Dec	15.48	19	(13)	152	7,740	0.80	0.87	19.4	17.7	32	9	1.2	1.3	Lawrence Lau	OP	18.97
0883 CNOOC (R)	Dec	14.08	15	6	1,829	180,898	1.12	1.13	12.6	12.4	40	1	2.5	2.5	Lawrence Lau	OP	16.27
0857 PetroChina (H/A)	Dec	10.96	9	(21)	2,645	231,245	0.74	0.75	14.9	14.7	(19)	1	3.0	3.1	Lawrence Lau	U	9.18
1088 Shenhua Energy (H/A)	Dec	33.10	(5)	(29)	1,156	112,507	1.54	1.77	21.5	18.7	25	15	1.4	1.6	Lawrence Lau	OP	46.23
0386 Sinopec (H/A)	Dec	8.18	10	(35)	1,413	137,260	0.39	0.70	21.0	11.7	(46)	80	1.2	2.2	Lawrence Lau	MP	7.72
1171 Yanzhou Coal (H/A)	Dec	14.92	29	(3)	293	29,351	1.28	1.81	11.7	8.3	75	41	2.2	3.0	Lawrence Lau	OP	18.68
Average			11	(16)	1,098	770,499	0.89	1.08	16.6								

China – HK

RIC Company	Price Y/E (09/05/08)	1M. chg (%)	YTD. chg (%)	3M avg. daily T/O	Freefloat 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\$)	
Financials																	
3988 Bank of China (H/A)	Dec	3.88	6	3	1,341	322,258	0.37	0.48	10.5	8.1	50	30	4.3	5.5	Yuan Lin	OP	4.45
3328 Bank of Communications (H/A)	Dec	10.60	6	(3)	830	72,707	0.74	0.87	14.4	12.2	53	18	2.4	2.8	Yuan Lin	OP	11.90
0998 China Citic Bank (H/A)	Dec	4.79	7	(2)	168	19,552	0.38	0.45	12.6	10.7	48	18	3.3	3.7	Yuan Lin	OP	5.80
0939 China Construction Bank (H/A)	Dec	6.79	4	3	2,067	167,820	0.49	0.51	13.8	13.2	47	5	3.3	3.5	Yuan Lin	MP	7.33
0165 China Everbright (R)	Dec	19.14	13	(23)	253	13,740	1.49	1.42	12.8	13.5	(53)	(5)	0.8	0.7	K.W. Wong	OP	19.60
0966 China Insurance (R)	Dec	20.45	6	(4)	52	11,320	0.12	0.55	170.4	37.2	(89)	358	0.0	0.2	K.W. Wong	OP	21.40
2628 China Life (H/A)	Dec	32.70	11	(19)	3,644	240,309	0.86	1.04	38.1	31.5	(44)	21	0.9	1.2	Yuan Lin	MP	31.20
3968 China Merchant Bank (H/A)	Dec	30.05	5	(6)	1,025	80,025	1.79	1.90	16.8	15.8	54	6	1.5	1.5	Yuan Lin	OP	25.90
0133 CM China Direct Investments	Dec	30.20	1	(16)	16	2,612	-	-	-	-	-	-	-	K.W. Wong	NR	-	
1398 ICBC (H/A)	Dec	5.91	(1)	6	2,255	587,675	0.44	0.52	13.6	11.3	63	21	4.0	4.7	Yuan Lin	OP	7.30
2328 PICC (H/A)	Dec	7.23	(9)	(35)	314	24,973	0.50	0.58	14.5	12.5	19	16	5.0	5.8	Yuan Lin	OP	12.60
2318 Ping An (H/A)	Dec	69.90	9	(16)	1,372	958,911	1.57	2.02	44.4	34.6	(45)	28	0.5	0.6	Yuan Lin	MP	59.00
Average			5	(9)	1,111	2,501,902	0.79	0.94	32.9	18.2	5	49	2.2	2.5			
Industrials																	
0914 Anhui Conch (H/A)	Dec	62.50	11	(8)	185	43,065	2.51	3.14	24.9	19.9	32	25	0.8	1.0	Grace Tang	MP	64.68
1800 China Con. Construction (H)	Dec	17.56	2	(14)	925	70,288	0.68	0.96	25.8	18.3	49	41	0.8	1.2	Jimmy Lam	OP	26.00
0390 China Railway (H/A)	Dec	7.24	(5)	(33)	529	30,534	0.24	0.35	30.2	20.9	89	44	0.8	1.2	Patrick Li	OP	8.36
1186 China Railway Construction (H/A)	Dec	12.02	1	12	-	21,059	0.42	0.61	28.8	19.8	30	45	0.8	1.3	Patrick Li	OP	14.53
3323 China National Bldg Material (H)	Dec	17.46	(2)	(42)	214	13,998	0.85	1.16	20.6	15.0	77	37	1.1	1.5	Grace Tang	OP	24.30
3339 CIMH (P)	Dec	7.95	22	(36)	47	4,156	0.74	0.95	10.8	8.4	12	29	3.6	4.6	Eric Hu	OP	9.30
3898 CSR Times Electric (H)	Dec	7.85	12	(32)	23	3,582	0.38	0.48	20.7	16.4	19	26	2.2	2.8	SHI Qi	OP	10.75
1072 Dongfang Elec. Machinery (H/A)	Dec	30.00	1	(54)	46	5,103	3.55	0.00	8.5	0.0	4	0	4.5	0.0	-	OP	40.00
0317 Guangzhou Shipyard Int'l (H/A)	Dec	28.60	16	(35)	55	4,505	2.91	3.39	9.8	8.4	49	16	2.1	3.9	-	OP	55.70
0350 Jingwei Textile (H/A)	Dec	2.22	5	(36)	3	401	0.47	0.60	4.7	3.7	27	29	67.3	86.9	-	OP	12.30
2689 Nine Dragons Paper (P)	Jun	9.00	8	(54)	210	11,543	0.70	1.04	12.8	8.7	31	48	1.6	2.4	Charles Law	OP	14.93
1893 Sinoma	Dec	7.20	9	(24)	123	8,382	0.23	0.35	30.9	20.8	7	48	1.0	1.4	Lawrence Lau	OP	8.78
2002 Sunshine Paper	Dec	3.93	8	(43)	1	930	0.51	0.74	7.7	5.3	39	43	2.0	2.8	Charles Law	OP	8.50
3393 Wason Meter (P)	Dec	3.88	21	(17)	4	1,395	0.33	0.42	11.6	9.2	30	27	3.5	4.3	SHI Qi	OP	6.30
0505 Xingye Copper (P)	Dec	2.23	2	(44)	8	385	0.29	0.35	7.7	6.4	8	19	3.5	4.0	Sarah Xing	OP	2.71
Average			7	(31)	170	18,930	1.22	1.15	18.0	12.7	38	31	7.8	9.7			
Media																	
1000 Beijing Media Corp (H)	Dec	4.25	1	(15)	0	305	0.26	0.26	16.4	16.1	2800	2	5.3	5.3	Allan Ng	U	9.00
8002 Phoenix TV (P)	Dec	1.27	23	(25)	4	1,035	0.06	0.06	22.3	21.9	8	2	1.5	1.6	Allan Ng	OP	1.70
0205 SEEC Media (P)	Dec	0.40	3	(18)	0	349	0.00	0.00	-	0.0	0	0	0.0	0.0	Allan Ng	NR	-
0811 Xinhua Winshare (H)	Dec	3.87	23	(25)	15	1,581	0.44	0.45	8.8	8.7	(3)	2	2.6	2.9	Allan Ng	OP	8.10
Average			12	(21)	5	817	0.19	0.19	19.3	12.7	936	1	2.2	2.3			
Metals & Mining																	
0347 Angang New Steel (H/A)	Dec	20.30	4	(5)	362	18,066	1.45	1.87	14.0	10.9	16	29	3.6	4.6	Belle Chan	OP	21.00
2600 CHALCO (H/A)	Dec	12.46	(5)	(23)	632	48,170	0.77	1.04	16.2	12.0	(22)	35	1.4	1.8	Belle Chan	U	10.50
1053 Chongqing Iron & Steel (H/A)	Dec	3.24	22	(18)	9	1,743	0.42	0.38	7.6	8.5	41	(11)	4.5	4.1	Belle Chan	OP	4.25
2626 Hunan Non-ferrous Metals (H)	Dec	2.910	(6)	(41)	47	3,982	0.12	0.16	23.7	18.6	22	27	0.8	1.2	Belle Chan	U	1.90
0358 Jiangxi Copper (H/A)	Dec	17.50	4	(9)	478	4,944	1.84	1.57	9.5	11.1	18	(15)	2.6	2.7	Belle Chan	OP	23.00
3330 Lingbao Gold (H)	Dec	3.73	1	(22)	9	1,034	0.56	0.75	6.7	5.0	72	34	5.1	7.2	Belle Chan	OP	7.80
0323 Maanshan Iron (H/A)	Dec	5.16	21	(0)	126	8,993	0.40	0.44	12.8	11.9	3	8	2.8	3.0	Belle Chan	U	3.20
1862 Sino Gold (P)	Dec	39.20	(20)	(18)	9	7,095	1.10	3.15	35.6	12.4	(215)	187	0.0	0.0	Belle Chan	OP	67.00
3833 Xinjing Xinxin Mining (H)	Dec	5.73	2	(35)	10	3,951	0.37	0.49	15.6	11.7	(11)	33	1.6	2.1	Belle Chan	OP	7.80
2899 Zijin Mining (H)	Dec	6.99	(12)	(42)	391	27,557	0.28	0.35	25.0	20.0	47	25	2.1	2.9	Belle Chan	OP	19.90
Average			1	(21)	207	125,536	0.73	1.02	16.7	12.2	(3)	35	2.4	3.0			
Pharmaceuticals																	
0874 Guangzhou Pharm. (H/A)	Dec	6.63	11	(11)	5	1,452	0.59	0.56	11.2	11.9	61	(6)	2.2	2.7	-	OP	11.10
8069 Tong Ren Tang Tech. (H)	Dec	11.50	5	(21)	3	1,005	1.24	1.48	9.3	7.7	16	20	4.3	5.1	-	OP	23.00
Average			8	(16)	4	2,457	0.91	1.02	10.2	9.8	38	7	3.2	3.9			

China – HK

RIC Company	Price Y/E (09/05/08)	1M. chg (%)	YTD. chg (%)	3M avg. daily T/O	Freefloat 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\$)	
Property																	
3383 Agile Property (P)	Dec	9.97	16	(30)	273	15,537	0.90	1.36	11.1	7.3	43	51	3.1	4.0	Kitty Cheung	OP	11.76
2868 Beijing Capital Land (H)	Dec	3.10	(6)	(35)	12	2,981	0.37	0.47	8.3	6.7	29	25	4.8	6.1	Kitty Cheung	MP	3.70
0588 Beijing North Star (H/A)	Dec	3.23	4	(33)	7	1,701	0.29	0.00	11.2	0.0	20	0	2.2	0.0	-	U	1.90
0688 China Overseas (R)	Dec	15.72	6	(2)	561	59,164	0.87	1.21	18.1	13.0	33	40	1.0	1.4	Kitty Cheung	OP	16.30
1109 China Resources Land (R)	Dec	14.52	0	(16)	215	22,252	0.53	0.90	27.5	16.2	738	70	1.3	1.7	Manfred Ho	OP	16.40
2007 Country Garden (P)	Dec	6.35	(9)	(30)	154	17,661	0.52	1.07	12.1	5.9	74	104	2.5	5.1	Kitty Cheung	OP	7.56
3900 Greentown China (H)	Dec	9.10	16	(25)	24	5,125	0.89	1.07	10.3	8.5	45	21	3.1	3.7	Kitty Cheung	U	7.20
0563 Neo-China Group (P)	Apr	5.09	0	(26)	-	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	3.17	1	(26)	15	1,111	0.00	0.00	-	0.0	-	0	0.0	0.0	-	NR	-
1207 Shanghai Real Estate (P)	Dec	1.43	13	(28)	12	1,039	0.34	-	4.3	0.0	28	0	6.8	0.0	-	MP	1.96
0604 Shenzhen Investment (R)	Dec	3.99	9	(28)	75	5,906	0.51	0.77	8.8	5.2	(16)	50	3.9	5.9	Kitty Cheung	OP	4.50
0272 Shui On Land (P)	Dec	7.30	3	(20)	204	13,748	0.47	0.61	15.6	11.9	(29)	31	1.4	1.8	Kitty Cheung	MP	8.00
3377 Sino-ocean Land (R)	Dec	6.74	(11)	(30)	204	2,896	0.47	0.70	14.3	9.6	9	49	2.8	4.1	Kitty Cheung	OP	8.90
Average			3	(25)	146	147,692	0.53	0.74	12.2	6.7	96	31	2.7	2.7			
Technology																	
3355 ASMC (H)	Dec	0.24	1	(37)	0	115	0.08	0.11	3.0	2.3	15	34	0.0	0.0	-	OP	1.10
1211 BYD (H)	Dec	12.08	(17)	(11)	31	1,826	3.47	3.78	3.5	3.2	8	9	5.7	6.3	-	OP	42.90
0861 Digital China (R)	Mar	5.24	6	(8)	5	3,3											

HK - HK

RIC Company	Y/E	Price (09/05/08) (HK\$)	1M chg. (%)	YTD (09/05/08) (HK\$ m)	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\$)
Consumer Products																	
1388 Embry Form	Jun	3.11	(23)	(50)	2	313	0.31	0.39	10.0	8.0	0	26	3.9	4.8	Charles Law	OP	6.15
0330 Esprit	Jun	92.15	2	(21)	391	95,209	4.37	5.05	21.1	18.2	17	16	3.6	4.2	-	OP	93.00
0420 Fountain Set	Aug	1.37	10	(31)	3	696	0.35	0.42	3.9	3.3	25	20	13.1	15.3	-	U	2.50
0709 Giordano	Dec	3.48	12	(7)	24	5,088	0.22	0.25	15.7	14.0	12	13	6.3	6.3	Frank He	OP	3.80
0393 Glorious Sun	Dec	4.12	1	(13)	1	1,963	0.29	0.32	14.2	12.9	21	10	7.0	7.8	Frank He	MP	4.28
0494 Li & Fung	Dec	30.00	6	(5)	295	63,333	1.07	1.24	28.0	24.2	23	16	2.9	3.3	-	MP	26.00
0590 Luk Fook Holdings	Mar	5.18	17	(29)	3	1,351	0.49	0.57	10.6	9.1	29	16	4.8	5.6	Charles Law	OP	8.59
1382 Pacific Textiles	Mar	1.65	4	(22)	1	1,230	0.39	0.43	4.2	3.8	0	10	41.8	7.9	Frank He	OP	4.20
0589 Ports Design	Dec	25.20	18	(7)	31	8,587	1.00	1.33	25.1	19.0	29	32	2.5	3.3	Frank He	OP	30.50
0178 Sa Sa	Mar	3.02	7	(5)	5	1,289	0.18	0.22	16.8	13.7	13	22	6.0	7.3	Charles Law	U	2.63
0321 Texwinca	Mar	6.29	17	(10)	9	3,506	0.57	0.72	11.0	8.7	21	26	5.7	6.8	Frank He	OP	7.50
0333 Top Form	Mar	0.59	7	(34)	1	419	0.07	0.11	8.4	5.4	(42)	57	6.8	8.5	Charles Law	OP	1.23
Average			7	(19)	64	182,984	0.78	0.92	14.1	11.7	12	22	9.1	6.9			
Consumer Services																	
0341 Café de Coral	Mar	15.56	1	(19)	8	4,325	0.86	1.03	18.1	0.0	26	0	3.6	0.0	Charles Law	OP	20.66
1212 Lifestyle	Dec	16.54	3	(21)	47	8,998	0.69	0.78	24.0	21.2	15	13	1.7	1.9	Charles Law	OP	27.61
0052 Fairwood	Mar	8.99	(0)	(17)	1	624	0.82	1.03	11.0	8.7	22	26	4.4	5.1	Charles Law	OP	12.34
0035 Far East Consortium	Mar	2.81	(5)	(37)	8	2,819	0.39	0.72	7.2	3.9	21	84	4.7	8.7	-	MP	4.05
0027 Galaxy Entertainment	Dec	5.48	1	(25)	22	5,424	0.02	0.26	274.0	21.1	115	(1,200)	0.0	0.5	-	OP	10.00
0045 HK&S Hotels	Dec	13.66	8	(0)	14	8,741	0.68	0.75	20.1	18.2	15	10	1.5	1.7	-	U	15.00
0999 I.T.	Feb	2.61	18	(10)	5	1,224	0.17	0.21	15.4	12.4	42	24	3.4	4.2	Charles Law	OP	3.08
0200 Melco Int'l	Dec	12.08	(3)	3	57	8,010	0.84	1.40	14.4	8.6	740	66	1.4	2.3	Ashley Cheung	U	13.00
0069 Shangri-La Asia	Dec	21.65	(0)	(12)	57	28,487	0.65	0.84	33.5	25.7	20	30	1.6	2.0	Kitty Cheung	U	19.80
0242 Shun Tak	Dec	9.96	(4)	(19)	39	9,157	0.33	1.22	30.2	8.2	3	270	1.3	4.9	-	OP	13.50
1836 Stella	Dec	11.88	(9)	(32)	7	2,663	1.36	1.66	8.8	7.2	19	22	7.9	9.8	Ashley Cheung	OP	21.10
0573 Tao Heung	Dec	2.40	(6)	(10)	1	1,032	0.25	0.33	9.6	7.3	19	32	6.3	8.3	Charles Law	OP	5.00
Average			2	(16)	26	77,809	0.54	0.82	38.8	6.4	88	(18)	2.4	3.1			
Financials																	
0662 Asia Financial Hldgs	Dec	3.71	3	(13)	1	1,531	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	42.60	3	(20)	274	56,137	2.34	3.02	18.2	14.1	(11)	29	3.7	4.5	K.W. Wong	MP	49.30
2388 BOC HK (R)	Dec	19.70	3	(10)	379	71,235	1.45	1.58	13.6	12.5	(1)	9	4.6	5.0	K.W. Wong	OP	23.40
1111 Chong Hing Bank	Dec	18.50	(1)	(0)	6	1,891	1.75	1.88	10.6	9.8	51	7	5.3	5.7	K.W. Wong	OP	20.20
0183 CIFH (R)	Dec	5.05	12	4	33	8,808	0.56	0.78	9.0	6.5	75	39	1.0	2.0	K.W. Wong	OP	6.20
2356 Dah Sing Banking	Dec	15.00	6	(17)	14	3,493	1.53	1.87	9.8	8.0	78	22	4.7	5.8	K.W. Wong	OP	18.50
0440 Dah Sing Financial	Dec	57.15	3	(26)	16	5,146	6.18	7.35	9.2	7.8	47	19	3.9	4.6	K.W. Wong	OP	67.00
0636 Fubon Bank (HK)	Dec	7.97	39	67	46	2,335	0.46	0.49	17.3	16.3	18	7	2.8	3.0	K.W. Wong	U	4.60
0011 Hang Seng Bank	Dec	156.80	9	(3)	467	113,925	9.11	8.50	17.2	18.4	(5)	(7)	4.0	4.2	K.W. Wong	U	143.50
0388 HKEx	Dec	150.20	2	(32)	1,759	151,091	6.30	6.85	23.8	21.9	9	9	4.2	4.6	K.W. Wong	OP	192.00
0005 HSBC	Dec	132.90	1	1	3,054	1,571,888	13.83	13.73	9.6	9.7	10	(1)	5.4	5.6	K.W. Wong	U	116.00
0349 ICBC (Asia) (R)	Dec	21.15	4	1	41	7,568	1.66	1.94	12.7	10.9	16	17	4.2	4.9	K.W. Wong	OP	23.90
1389 Ming An (Holdings)	Dec	1.71	2	(34)	7	1,377	0.09	0.10	20.8	18.9	(64)	11	1.2	1.2	K.W. Wong	OP	1.50
2888 Standard Chartered	Dec	275.60	2	(5)	39	387,915	16.18	19.96	17.0	13.8	4	23	2.5	3.1	K.W. Wong	OP	294.00
0302 Wing Hang Bank	Dec	103.60	(10)	(11)	38	15,398	6.16	6.56	16.8	15.8	(10)	6	3.0	3.2	K.W. Wong	MP	100.80
0096 Wing Lung Bank	Dec	139.60	(3)	46	78	10,202	5.07	7.11	27.5	19.6	(14)	40	1.8	2.5	K.W. Wong	MP	120.20
Average			5	(3)	417	2,408,407	4.84	5.45	15.6	13.6	14	15	3.5	4.0			
Industrials																	
0057 Cheng Hsong	Mar	3.58	(3)	(23)	1	787	0.56	0.65	6.4	5.5	12	16	7.8	8.9	Charles Law	OP	6.72
0838 EVA Precision Ind.	Mar	2.75	27	(7)	2	891	0.37	0.52	7.4	5.3	68	41	4.0	5.8	Charles Law	OP	4.41
2320 Hop Fung	Dec	1.65	18	(42)	0	266	0.40	0.52	4.1	3.2	43	30	7.3	9.7	Charles Law	OP	4.82
0179 Johnson Electric	Mar	3.83	9	(11)	10	5,769	0.23	0.27	16.4	14.0	0	17	4.1	4.1	-	U	4.00
2314 Lee & Man Paper	Mar	14.78	(1)	(57)	75	3,854	1.34	2.05	11.0	7.2	33	53	3.2	4.9	Charles Law	OP	30.80
0255 Lung Kee	Dec	3.53	(3)	0	1	963	0.66	0.84	5.3	4.2	35	27	9.3	11.9	Charles Law	OP	7.90
0635 Playmates	Mar	4.61	(3)	(39)	1	6,154	0.07	0.09	65.9	51.2	17	29	1.1	1.5	Charles Law	OP	1.31
0669 Techntron	Dec	7.49	(3)	(4)	21	9,018	0.83	0.95	9.0	7.9	419	14	2.4	2.7	-	U	7.50
0303 V-Tech	Mar	47.90	17	(14)	26	7,129	6.71	7.65	7.1	6.3	15	14	8.4	9.6	Charles Law	OP	80.48
1223 Symphony	Dec	0.53	2	(37)	1	344	0.14	0.16	3.8	3.3	27	14	18.9	20.8	Charles Law	OP	1.68
0752 Pico Far East	Oct	1.27	18	(41)	6	935	0.16	0.22	7.9	5.8	33	38	7.9	10.2	Charles Law	OP	2.44
0710 Varitronix	Dec	5.44	9	(5)	2	1,445	1.00	1.19	5.4	4.6	25	19	9.2	11.0	Charles Law	OP	9.98
0551 Yue Yuen	Sep	23.60	(6)	(16)	56	14,528	2.00	2.42	11.8	9.8	19	21	3.8	4.6	Charles Law	OP	40.38
Average			6	(23)	16	52,085	1.04	1.26	12.5	9.9	61	26	7.0	8.4			

HK - HK

RIC Company	Y/E	Price (09/05/08) (HK\$)	1M chg. (%)	YTD (09/05/08) (HK\$ m)	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	6.95	(1)	(15)	1	1,814	0.42	0.35	16.4	19.8	57	(17)	0.0	0.0	Allan Ng	OP	8.80
1097 I-Cable	Dec	1.25	4	(21)	1	833	0.09	0.09	14.2	13.7	(3)	3	6.8	6.8	Allan Ng	U	1.47
0685 Mingpao	Mar	2.32	21	23	1	253	0.11	0.18	20.5	13.1	27	57	3.4	3.9	Allan Ng	OP	1.88
0282 Next Media	Mar	3.14	1	13	1	1,969	0.19	0.22	16.6	14.3	32	16	4.5	5.1	Allan Ng	OP	3.45
0018 Oriental Press	Mar	1.19	12	(13)	3	1,201	0.08	-	14.7	0.0	5	0	5.1	0.0	Allan Ng	U	1.14
0583 SCMP	Dec	2.74	0	1	0	2,648	0.24	0.19	11.5	14.2	14	(19)	6.6	6.6	Allan Ng	OP	3.20
0511 TVB	Dec	43.15	1	(8)	26	12,852	3.34	3.69	12.9	11.7	16	10	4.9	5.7	Allan Ng	OP	59.00
Average			6	(3)	4	21,570	0.64	0.79	15.3	12.4	15	11	4.5	4.0			
Property																	
2778 Champion REIT	Dec	4.01	3	(12)													

China – A

RIC	Company	Price (090508) (¥)	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	72.81	2	(24)	52	2,057	2.86	3.76	25.5	19.4	64	31	2.0	2.6	-	OP	91.50
Average			2	(24)	52	2,057	2.86	3.76	25.5	19.4	64	31	2.0	2.6			
Automotive																	
600166	Beiqi Foton Auto	10.34	(0)	(21)	56	5,367	0.52	0.57	19.9	18.1	8	10	1.5	1.6	-	MP	13.00
000625	Chongqing Changan (A/B)	10.07	5	(46)	143	5,588	0.62	0.75	16.2	13.4	82	21	2.1	3.1	Eric Hu	OP	13.50
000951	CNHTC Jinan Truck	36.45	(0)	(45)	72	4,238	2.29	2.89	15.9	12.6	3	26	1.3	1.6	Eric Hu	OP	37.60
600006	Dongfeng Automobile	5.62	(4)	(35)	54	4,496	0.31	0.34	18.1	16.5	29	10	1.8	2.7	Wang Yusheng	MP	6.80
000800	FAW Car	15.23	10	(20)	175	11,653	0.41	0.49	37.1	31.1	21	20	1.1	1.4	Wang Yusheng	MP	13.10
000927	FAW Xiali	7.23	(2)	(50)	58	2,307	0.25	0.45	28.9	16.1	67	80	0.8	1.2	Wang Yusheng	U	6.75
600660	Fuyao Group Glass Ind.	28.36	5	(21)	118	13,087	1.21	1.55	23.4	18.3	32	28	1.8	1.9	Wang Yusheng	OP	26.40
600418	Jianghuai Auto	5.90	(5)	(35)	56	4,943	1.09	1.39	16.0	4.2	18	28	3.9	5.8	Eric Hu	OP	11.50
002048	Ningbo Huaxiang	11.50	(7)	(21)	66	4,287	0.49	0.80	23.5	14.4	69	63	0.1	0.1	Wang Yusheng	OP	16.00
600303	Shuguang Automotive	9.26	(2)	(40)	40	1,069	0.82	0.91	11.3	10.2	52	11	2.7	2.9	-	OP	16.40
600686	Xiamen King Long Motor	23.63	4	4	90	6,343	1.28	1.44	18.5	16.4	38	13	0.9	1.0	Eric Hu	OP	25.90
000338	Weichai Power (A/H)	65.30	2	(25)	94	11,567	4.56	6.05	14.3	10.8	4	33	0.7	0.9	Eric Hu	OP	90.80
000581	Weifu High Tech	14.68	(0)	(22)	100	4,961	0.60	0.94	24.5	15.6	46	57	1.4	2.0	Wang Yusheng	OP	19.60
600066	Zhengzhou Yutong Bus	27.15	5	(21)	62	7,493	1.40	1.65	19.4	16.5	49	18	2.6	3.1	Eric Hu	OP	33.00
Average			1	(28)	84	6,243	1.13	1.44	20.5	15.3	37	30	1.6	2.1			
Chemicals																	
600299	Blue Star New Materials	36.33	(7)	(24)	52	5,667	1.48	2.22	24.6	16.4	43	50	0.8	0.9	Ni Xiaoman	OP	66.00
000839	CITIC Guano	29.91	8	(13)	290	13,065	0.81	1.59	36.8	18.8	40	96	0.5	0.7	Ni Xiaoman	OP	55.60
600426	Hualu Hengsheng	23.77	7	(10)	110	4,337	1.03	1.58	23.0	15.1	60	53	0.4	0.5	Ni Xiaoman	OP	39.20
000422	Hubei Yihua	23.14	4	1	215	3,602	-	-	0.0	0.0	-	-	0.0	0.0	Ni Xiaoman	U	4.00
600423	Liuzhou Chemical	18.15	22	(19)	76	2,819	1.04	1.61	17.4	11.3	70	54	0.4	0.6	Ni Xiaoman	OP	33.30
000792	Qinghai Salt Lake Potash	93.88	2	21	251	36,699	2.97	3.59	31.6	26.2	130	21	1.4	1.5	Ni Xiaoman	OP	104.00
000677	Shandong Hailong	8.24	(8)	(29)	160	3,965	0.38	0.50	21.7	16.4	(43)	32	0.8	1.1	Chen Tian	MP	7.60
600688	Shanghai Petrochem (A/H)	8.05	(8)	(52)	91	5,796	(0.05)	0.26	(175)	30.8	(121)	(667)	0.0	1.1	Lawrence Lau	U	8.00
000731	Sichuan Meifeng	13.42	4	(7)	191	2,248	1.28	1.60	10.5	8.4	27	25	4.0	4.2	Ni Xiaoman	OP	32.00
600500	Sinochem Int'l	13.78	5	(38)	149	7,090	0.58	0.67	23.8	20.2	18	14	1.3	1.5	Ni Xiaoman	OP	16.20
600309	Yantai Wanhua	27.62	(8)	(27)	209	17,762	1.23	1.69	22.5	16.3	38	38	1.8	2.2	Ni Xiaoman	OP	36.90
600871	Yizheng Chemical (A/H)	5.90	(7)	(45)	17	1,180	0.01	0.01	737.5	421.4	(100)	(75)	0.0	0.0	Lawrence Lau	U	3.71
600096	Yuntianhua	-	-	-	68	-	1.77	2.14	-	-	39	21	-	-	Ni Xiaoman	OP	71.80
600352	Zhejiang Longsheng	12.96	2	(26)	71	8,118	0.76	0.96	17.2	13.5	16	27	1.7	2.1	Ni Xiaoman	OP	15.16
Average			1	(21)	139	8,642	1.02	1.42	60.9	47.3	17	27	1.0	1.3			
Consumer Products																	
600429	Beijing Sanyuan	7.20	9	(20)	38	1,532	0.08	-	92.3	0.0	66	-	0.4	0.0	-	U	2.50
000725	BOE Technology	10.08	(3)	(20)	61	22,133	-	-	0.0	0.0	-	-	0.0	0.0	-	U	1.60
600597	Bright Dairy	9.10	(3)	(29)	70	2,181	0.22	0.26	41.4	35.0	10	18	1.5	1.6	-	U	5.50
600737	COFCO Tunhe	23.99	13	25	310	9,656	0.36	0.53	66.6	45.3	71	47	0.6	1.0	-	OP	12.60
000651	GREE	48.60	19	(2)	182	24,660	1.73	2.25	28.1	21.6	47	30	1.4	1.9	-	OP	32.90
600202	Harbin Air Conditioning	21.15	(4)	(4)	61	2,132	-	-	0.0	0.0	-	-	0.0	0.0	-	OP	10.40
600060	Hisense	9.78	2	(27)	52	1,993	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.29
000016	Konka (A/B)	11.77	17	33	132	5,026	-	-	0.0	0.0	-	-	0.0	0.0	-	U	2.94
600519	Kweichow Moutai	177.74	(0)	(23)	271	72,468	4.28	5.74	41.5	31.0	43	34	0.8	1.2	Zhao Zongjun	OP	229.60
000568	Luzhou Laojiao	60.60	1	(18)	200	27,090	1.68	2.26	36.1	26.8	89	35	1.7	2.4	Zhao Zongjun	OP	72.00
000527	Midea Electric Appliances	21.60	0	(13)	119	5,465	1.34	1.45	16.1	14.9	19	8	2.5	2.7	-	U	22.78
600690	Qingdao Haier	15.30	(3)	(40)	182	10,069	0.87	1.06	17.6	14.4	74	22	1.7	2.1	-	OP	17.40
600962	SDIC Zhonglu Fruit Juice	22.50	2	3	63	2,500	0.80	1.02	28.1	22.1	45	0	0.0	0.0	Zhao Zongjun	MP	24.00
600616	Shanghai First Provisions	18.32	2	(33)	99	4,559	0.63	0.77	29.1	23.8	29	22	1.5	1.9	-	OP	35.00
600839	Sichuan Changhong	6.89	10	(20)	150	8,762	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.50
600779	Sichuan Swellfun	29.33	8	4	191	8,610	0.85	1.35	34.5	21.7	107	59	0.3	0.3	Zhao Zongjun	OP	38.90
000100	TCL Corp	5.62	1	(4)	249	5,589	-	-	0.0	0.0	0	0	0.0	0.0	-	U	1.63
600600	Tsingtao Brewery (A/H)	28.45	13	(27)	77	6,706	0.68	0.89	41.8	32.0	58	31	2.4	3.1	Zhao Zongjun	MP	26.69
600870	Xiamen Overseas Electronic	4.51	(14)	(33)	42	683	-	-	0.0	0.0	-	-	0.0	0.0	-	U	3.13
000729	Yanjing Brewery	19.98	13	(5)	216	9,670	0.46	0.56	43.4	35.7	24	22	0.9	1.1	Zhao Zongjun	MP	19.60
000869	Yantai Changyu	80.90	12	(5)	36	6,718	1.80	2.33	44.9	34.7	49	29	2.0	2.6	Zhao Zongjun	OP	93.00
000858	Yibin Wuliangye	26.64	7	(41)	719	38,327	0.72	1.01	37.0	26.4	57	40	1.1	1.5	Zhao Zongjun	OP	36.00
600887	Yili Industrial	22.43	6	(24)	213	8,328	0.96	1.14	23.4	19.7	20	19	1.6	1.8	-	U	24.00
Average			5	(14)	162	12,385	1.09	1.51	27.0	17.6	47	23	0.9	1.1			

China – A

RIC	Company	Price (090508) (¥)	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	33.24	5	(32)	85	3,023	0.30	0.25	110.4	133.0	(43)	(17)	0.4	0.3	Liu Du	U	15.40
600828	Chengdu People's Dept Store	24.02	6	13	12	1,723	0.65	0.83	37.0	28.9	41	28	0.8	1.0	Liu Du	OP	29.05
600693	Fujian Dongbai Group	15.98	12	7	41	3,303	0.43	0.58	37.2	27.6	87	35	0.6	1.1	Liu Du	OP★	19.70
000978	Gullin Tourism	16.13	(5)	(31)	16	1,507	0.55	0.69	29.3	23.4	83	25	0.3	0.4	Tracy Feng	OP	28.34
600754	Jinjiang Development (A/B)	14.00	(10)	(31)	32	3,039	0.49	0.54	28.6	25.9	11	10	2.8	3.1	Liu Du	OP	18.30
600832	Oriental Pearl	13.38	7	(27)	110	13,477	0.19	0.20	71.6	68.6	36	4	0.4	0.4	Liu Du	U	12.30
600859	Wangfujing Dept Store	44.30	20	(12)	57	8,775	1.17	1.53	37.9	29.0	73	31	0.7	0.9	Liu Du	OP	51.20
Average			3	(17)	50	4,345	0.19	0.20	71.6	68.6	36	4	0.4	0.4			
Energy																	
601898	China Coal (A/H)	20.10	10	19	1,079	30,648	0.55	0.81	36.7	24.8	24	48	0.7	1.0	Lawrence Lau	MP	19.95
601808	China Oilfield Service (A/H)	27.08	24	(21)	251	41,508	0.72	0.78	37.8	34.5	32	9	0.6	0.7</			

China – A

RIC	Company	Price (09/05/08) (¥)	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#)	60.49	16	(17)	111	41,680	2.22	2.77	27.2	21.8	31	25	0.7	0.9	Grace Tang	MP	63.00
600761	Anhui Heli	19.35	(7)	(48)	137	3,454	1.12	1.47	17.3	13.2	24	31	1.8	2.3	Eric Hu	OP	43.90
600973	Baosheng Sci & Tech	21.94	(3)	(40)	48	1,882	1.57	2.09	14.0	10.5	54	33	2.1	3.8	-	OP	39.00
601390	China Railway (A#)	7.36	(3)	(36)	1,020	34,408	0.21	0.31	34.4	24.1	44	43	0.7	1.0	Patrick Li	OP	8.14
601186	China Railway Construction (A#)	11.81	9	30	-	28,997	0.38	0.55	31.5	21.7	(5)	45	0.8	1.2	Patrick Li	OP★	13.18
600970	China Sinoma	69.92	10	17	67	5,486	2.70	3.66	25.9	19.1	79	36	1.1	1.9	Grace Tang	OP	81.00
600150	China State Shipbuilding	125.74	3	(50)	361	12,780	9.01	13.81	14.0	9.1	106	53	2.1	3.3	-	OP	345.25
600875	Dongfang Electric Mach. (A#)	44.30	2	(50)	216	3,369	3.18	-	13.9	0.0	4	-	2.7	0.0	-	OP	50.00
002164	Donly Transmission	23.11	34	(13)	18	693	0.69	1.20	33.5	19.3	47	74	0.4	0.8	SHI Qi	OP★	26.40
601002	Gem-Year Industrial	6.86	(3)	(33)	42	1,418	0.18	0.34	38.1	20.2	100	0	0.6	1.0	SHI Qi	MP	11.90
600685	Guangzhou Shipyard Int'l (A#)	38.88	(7)	(52)	164	6,249	2.67	3.11	14.6	12.5	46	16	1.4	2.4	-	OP	57.05
000528	Guangxi Liugong Machinery	27.99	4	(33)	92	7,398	1.58	2.28	17.7	12.3	32	44	2.1	3.1	Eric Hu	OP	52.50
002175	Guanglu Measuring Inst't	21.14	1	(40)	13	307	1.36	2.02	15.5	10.5	60	0	1.4	2.3	Eric Hu	OP	36.00
600312	Henan Pingao Electric	14.60	1	(36)	65	2,266	0.90	1.20	16.2	12.2	43	33	2.1	2.7	-	OP	22.50
600308	Huatai Paper	21.07	(13)	(27)	146	7,311	1.33	1.66	15.8	12.7	47	25	1.3	1.4	Ni Xiaoman	OP	40.00
002097	Hunan Sunward Intelligent	30.29	1	(47)	75	2,007	0.98	1.47	30.9	20.6	75	50	1.3	1.9	SHI Qi	OP	32.34
600072	Jiangnan Heavy Industry Co	20.92	(1)	(51)	96	4,549	0.28	0.30	74.7	69.7	33	7	0.3	0.3	-	OP	28.00
000666	Jingwei Textile Mach. (A#)	6.91	5	(33)	40	1,570	0.41	0.53	16.8	13.0	27	29	1.7	2.3	-	OP	12.30
600495	Jinxi Axle	15.92	5	(36)	18	967	0.69	0.87	23.1	18.3	17	26	1.3	1.6	SHI Qi	OP	26.1
600806	Kunming Machine (A#)	18.75	3	(21)	44	1,406	0.82	1.05	22.9	17.9	44	28	1.3	1.7	SHI Qi	OP	26.25
002147	Maanshan Fangyuan Slewing Ring	25.43	18	14	23	6,215	1.14	2.04	22.3	12.5	63	79	1.8	3.2	SHI Qi	OP	53.04
600406	Nari Technology Dev.	24.04	26	(23)	37	1,876	0.74	0.96	32.5	25.0	28	30	0.9	1.6	-	MP	21.00
600425	Qingsong Building Materials and Chemicals	16.45	16	15	72	2,347	0.56	0.88	29.4	18.7	37	57	1.7	2.7	Grace Tang	OP	17.50
600031	Sany Heavy Industry	40.49	7	(29)	184	18,075	2.36	3.20	17.2	12.7	40	36	1.2	1.6	SHI Qi	OP	64.00
600517	Shanghai Zhixin Electric	28.42	15	1	33	4,050	1.59	2.76	17.9	10.3	92	0	1.1	2.9	-	OP	64.00
000680	Shantui Construction Mach.	16.19	21	(12)	91	8,751	0.86	1.16	18.8	14.0	34	35	1.1	1.4	SHI Qi	OP	23.20
000837	Shanxi Qinchuan Machinery	13.90	1	(17)	21	2,354	0.58	0.70	24.0	19.9	61	21	0.6	0.7	-	OP	20.37
000410	Shengyang Machine Tools	11.12	(5)	(46)	66	3,333	0.33	0.46	33.7	24.2	136	39	0.4	0.6	Eric Hu	MP	11.40
002028	Sieyuan Electric	29.92	(1)	(19)	27	1,583	2.44	3.24	12.3	9.2	38	33	2.4	3.2	-	OP	103.40
000401	Tangshan Jidong Cement	17.10	(1)	(18)	71	8,728	0.65	0.97	26.3	17.6	71	49	3.8	5.7	Grace Tang	OP	20.15
600582	Tian Di Sci. & Tech.	26.43	8	3	31	3,028	1.67	2.29	15.8	11.5	39	37	1.2	1.7	SHI Qi	OP	68.70
002122	Tianma Bearing	65.01	6	(13)	37	2,210	3.71	5.74	17.5	11.3	96	55	1.1	1.8	SHI Qi	OP	172.20
000877	Tianshan Cement	16.98	4	0	33	2,250	0.79	1.30	21.5	13.1	58	65	1.8	3.1	Grace Tang	OP	23.70
600169	Taiyuan Heavy Industry	29.48	1	(18)	38	5,593	1.15	1.56	25.6	18.9	51	36	1.2	1.6	-	OP	46.80
600458	Times New Materials	11.85	21	(30)	40	1,281	0.32	0.57	37.0	20.8	88	78	0.5	0.9	SHI Qi	OP	17.1
600089	Tebian Electric App. Stock	24.39	11	(25)	224	7,030	0.95	-	25.7	0.0	46	0	2.3	0.0	-	OP	16.25
000425	Xugong Science & Tech.	14.70	(15)	(34)	71	4,166	0.12	0.15	122.5	98.0	50	25	1.4	2.0	SHI Qi	MP	21.00
000157	Zoomlion Heavy Industry	42.18	0	(27)	87	17,654	2.36	3.31	17.9	12.7	35	40	0.3	0.4	Eric Hu	OP	66.20
Average			5	(24)	107	7,072	1.44	2.00	26.7	18.7	52	35	1.4	1.9			
Media																	
600037	Beijing Gehua CATV	21.93	22	(30)	224	12,204	0.33	0.28	67.1	79.2	(4)	(15)	0.0	0.2	Allan Ng	U	12.50
600825	Xinhua Media	32.29	11	(37)	39	5,086	0.92	1.21	35.2	26.8	32	31	0.9	1.1	Liu Du	OP	42.35
Average			16	(34)	132	8,645	0.62	0.74	51.1	53.0	14	8	0.4	0.7			
Metals & Mining																	
000898	Angang New Steel (A#)	21.93	1	(27)	450	23,160	1.29	1.66	17.0	13.2	15	29	3.0	3.8	Belle Chan	OP	25.00
600019	Baosteel	13.80	14	(21)	1,131	65,250	0.69	0.85	20.1	16.3	(5)	23	2.3	2.3	Belle Chan	MP	14.00
601600	CHALCO (A#)	22.15	(4)	(44)	608	27,402	0.84	0.71	26.4	31.2	(13)	(15)	0.8	1.0	Belle Chan	U	18.00
600357	Chengde Xinxi Vanadium	12.82	(6)	(33)	207	7,486	0.72	1.13	17.9	11.4	62	57	3.1	4.7	Xu Minle	OP	16.95
601005	Chongqing Iron & Steel (A#)	6.56	(3)	(25)	32	2,296	0.38	0.34	17.3	19.3	41	(11)	2.0	1.8	Belle Chan	OP★	5.00
000831	Guanlu	19.00	2	(37)	166	4,552	1.02	1.42	18.6	13.4	(3)	39	0.5	0.7	Le Yukun	OP	25.60
600362	Jiangxi Copper (A#)	33.33	2	(35)	347	9,649	1.64	1.40	20.3	23.8	17	(15)	1.5	1.3	Belle Chan	OP★	35.50
600808	Maanshan Iron (A#)	8.23	20	(18)	177	4,781	0.34	0.38	24.1	21.9	(3)	10	1.6	1.7	Belle Chan	U	4.10
600282	Nanjing Steel	16.08	5	(22)	141	7,224	1.27	1.42	12.7	11.3	15	12	3.5	4.0	Xu Minle	OP	19.00
600219	Nanshan Aluminium	16.36	(1)	(39)	170	8,175	0.97	1.07	8.5	7.7	11	10	1.0	1.1	Le Yukun	OP	17.50
000629	Panzhuhua Steel	11.06	(9)	(27)	301	20,697	0.45	0.70	24.7	15.9	72	55	2.0	3.2	Xu Minle	OP	13.90
600547	Shandong Gold	138.73	3	(18)	273	10,865	6.06	6.32	22.9	22.0	401	4	2.6	2.7	Le Yukun	OP	242.00
000709	Tangshan Iron & Steel	18.50	11	(26)	223	20,541	1.19	1.40	15.5	13.2	25	18	3.0	3.6	Le Yukun	OP	23.80
000630	Tongling Nonferrous Metal	16.16	2	(36)	157	8,992	0.91	0.95	17.8	17.0	14	4	1.7	1.8	Le Yukun	OP	13.70
000612	Wanfang Aluminium	31.40	9	(30)	364	9,043	1.86	1.93	16.9	16.3	31	4	1.8	1.8	Le Yukun	OP	37.20
600005	Wuhan Steel	16.81	11	(15)	814	47,432	1.10	1.22	15.3	13.7	32	11	2.9	3.2	Le Yukun	OP	19.70
600888	Xinjiang Jointworld	16.83	15	(38)	34	2,252	0.69	1.00	24.4	16.8	15	45	0.4	0.6	Le Yukun	OP	17.30
000807	Yunnan Aluminium	14.04	(1)	(42)	136	6,302	0.62	0.64	22.6	21.9	9	3	3.1	3.2	Le Yukun	U	11.20
000960	Yunnan Tin	37.45	24	(32)	304	9,653	1.54	2.06	24.3	18.2	38	34	0.4	0.6	Le Yukun	OP	37.50
Average			5	(30)	318	15,566	1.24	1.40	19.3	17.1	41	17	2.0	2.3			

China – A

RIC	Company	Price (09/05/08) (¥)	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	23.41	8	(33)	58	4,572	0.72	0.88	32.5	26.6	22	22	1.3	1.6	-	MP	28.70
000423	Dong-E E-Jiao	29.80	17	(8)	86	10,931	0.60	0.65	49.7	45.8	50	8	1.2	1.6	-	OP	35.50
600332	Guangzhou Pharm. (A#)	13.87	22	(19													

Germany

RIC	Company	Price (09/05/08) (€)	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	8.95	21	(39)	0	49	1.45	1.90	6.2	4.7	77	31	1.1	2.2	Charles Law	OP	14.48
Average			21	(39)	0	49	1.45	1.90	6.2	4.7	77	31	1.1	2.2			
Transport																	
ZEF	Zhong De Waste Tech.	26.85	2	(19)	1	112	2.11	2.56	12.7	10.5	27	21	0.0	0.0	Frank Lai	OP	36.10
Average			2	(19)	1	112	2.11	2.56	12.7	10.5	27	21	0.0	0.0			

Singapore

RIC	Company	Price (09/05/08) (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	1.05	(3)	(31)	2	452	0.05	0.06	22.5	16.9	23	33	2.1	2.9	Frank Lai	OP	1.91
Average			(3)	(31)	2	452	0.05	0.06	22.5	16.9	23	33	2.1	2.9			

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
 * Initialing coverage, Arrows (▲▼) indicate a change in rating or a change in earnings forecast of at least 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	Apr 08	12/5
Retail Sales	Apr 08	13/5
VAIO	Apr 08	14/5
FAI	Apr 08	15/5

Economic data (Hong Kong)

Unemployment	Apr 08	19/5
CPI	Apr 08	22/5
GDP	1Q 08	16/5
Retail Sales	Apr 08	2/6

Results announcements (Hong Kong)

Yantai North Andre Juice (H) (8259.HK)	1Q08	5/13/2008
Wumart Stores (H) (8277.HK)	1Q08	5/13/2008
I.T (999.HK)	FY08	5/14/2008
Stella (1836.HK)	1Q07	5/14/2008
HKEEx (388.HK)	1Q07	5/14/2008
Zhejiang Expressway (H) (576.HK)	1Q08	5/15/2008
Lenovo Group (R) (992.HK)	FY08	5/22/2008
China Resources (R) (291.HK)	1Q08	5/22/2008
ASMC (H) (3355.HK)	1Q08	5/23/2008
Tingyi (P) (322.HK)	1Q08	5/23/2008
TCL Multimedia (R) (1070.HK)	1H08	5/30/2008

Recently Published Research

Date	Title	Sector	Author(s)	Tel.	Email
8-May	Ladies' Consumption	Consumer Products	Sarah XING Frank HE Ashley CHEUNG Charles LAW	(852) 2905 2122 (852) 2905 2112 (852) 2905 2102 (852) 2905 2106	sarah.xing@bocigroup.com frank.he@bocigroup.com ashley.cheung@bocigroup.com charles.law@bocigroup.com
5-May	China Cement	Industrials - Const & Infra	Grace TANG Lawrence LAU	(8610) 9922 9077 (852) 2905 2130	qian.tang@bocigroup.com lawrence.lau@bocigroup.com
22-Apr	China Railway Construction Corporation	Industrials - Const & Infra	Patrick LI LIU Huiming	(8610) 6622 9073 (8610) 6622 9084	pan.li@bocigroup.com huiming.liu@bocigroup.com
8-Apr	Huaqiao In The Middle Kingdom - April 08	Monthly	Anthony LOK CHENG Manjiang	(852) 2905 2108 (8610) 9922 9128	anthony.lok@bocigroup.com mj.cheng@bocigroup.com
13-Mar	Huaqiao In The Middle Kingdom - March 08	Monthly	Anthony LOK CHENG Manjiang	(852) 2905 2108 (8610) 9922 9128	anthony.lok@bocigroup.com mj.cheng@bocigroup.com
11-Mar	Supermarket	Consumer - Retail	Ashley CHEUNG	(852) 2905 2102	ashley.cheung@bocigroup.com
10-Mar	Sinotrans Shipping	Transport - Marine	Jimmy LAM	(852) 2905 2111	jimmy.lam@bocigroup.com
7-Mar	China Coal	Energy - Coal	Lawrence LAU	(852) 2905 2130	lawrence.lau@bocigroup.com
6-Mar	Industry Restructuring	Telecom	Allan NG	(852) 2905 2128	allan.ng@bocigroup.com
28-Feb	Xiwang Sugar	Consumer - F&B	Jenny CHAN	(852) 2905 2127	jenny.chan@bocigroup.com
27-Feb	China Everbright Ltd	Financials - Securities	K.W. WONG	(852) 2905 2120	kwokwai.wong@bocigroup.com
27-Feb	Asian Bamboo AG	Agriculture - Misc.	Charles LAW	(852) 2905 2106	charles.law@bocigroup.com
22-Feb	China Sunshine Paper	Industrials - Paper	Charles LAW	(852) 2905 2106	charles.law@bocigroup.com
21-Feb	Xingye Copper	Industrials - Misc.	Sarah XING	(852) 2905 2122	sarah.xing@bocigroup.com
15-Feb	Midas Holdings	Industrials - C & I	Frank LAI	(65) 6536 8538	frank.lai@bocigroup.com
14-Feb	Sinoma	Industrials - C & I	Lawrence LAU Grace TANG	(852) 2905 2130 (8610) 9922 9077	lawrence.lau@bocigroup.com qian.tang@bocigroup.com
5-Feb	Huaqiao In The Middle Kingdom - February 08	Monthly	Anthony LOK CHENG Manjiang	(852) 2905 2108 (8610) 9922 9128	anthony.lok@bocigroup.com mj.cheng@bocigroup.com
4-Feb	China Green	Consumer - F&B	Jenny CHAN	(852) 2905 2127	jenny.chan@bocigroup.com
23-Jan	China Railway Group	Industrials - Infrastructure	LI Pan	(8610) 6622 9073 (852) 2905 2111	pan.li@bocigroup.com jimmy.lam@bocigroup.com
18-Jan	Nanjing Iron and Steel	Metals & Mining - I & S	XU Minle LE Yukun	(8621) 6860 4866 ext 8589 (8621) 6860 4866 ext 8559	minle.xu@bocigroup.com yukun.le@bocigroup.com
18-Jan	China Branded Sportswear	Consumer - Misc.	Ashley CHEUNG	(852) 2905 2102	ashley.cheung@bocigroup.com
16-Jan	Combating Inflation	Macro & Strategy	CHENG Manjiang	(8610) 9922 9128	mj.cheng@bocigroup.com
14-Jan	China State Shipbuilding	Industrials - Machinery	HU Song Eric HU	(8621) 6860 4866 ext 8507 (8621) 6860 4866 ext 8520	song.hu@bocigroup.com eric.hu@bocigroup.com
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