Buddy Can You Spare a Denarius? P.4

Huaqiao in the Middle Kingdom

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Key Market Indices

	Value	1M	YTD
HSI	25,063	(2.7)	(9.9)
HSCEI	13,663	(1.1)	(15.3)
HSCCI	5,669	(6.7)	(7.2)
MSCI HK	12,036	(1.2)	(14.0)
MSCI China	73	(4.2)	(14.8)
FTSE-XinhuaA50	14,138	(8.3)	(30.9)
Shanghai A	3,792	(5.9)	(31.3)
Shenzhen A	1,153	(5.9)	(24.2)

	P/E *(x)*		EPS *(chg %)*	
	08E	09E	08E	09E
HSI	15.7	14.4	(5.7)	8.6
HSCEI	16.0	13.4	9.7	19.6
HSCEI ex oil	16.1	13.3	14.7	21.1
MSCI HK	17.4	16.3	(23.4)	6.6
MSCI China	16.1	14.4	10.6	18.9
FTSE-XinhuaA50	20.4	17.3	19.6	17.9

Sources: Bloomberg, BOCI Research

- **China-HK recommended stocks:**
  In – Lenovo Group, China Mobile.
  Out – China Agri-Industries, Guangzhou Shipyard.
- **HK-HK recommended stocks:**
  In – CIFH, Lee & Man Paper.
  Out – Sino Land, Embry Form.
- **China-A recommended stocks:**
  In – Yaobao Pharm, Hubei Shuanghuan Sci & Tech.
  Out – Sany Heavy Machinery, Dongfang Electric.

Sector Data	1M % chg.			YTD % chg.			2008E P/E *(x)*			Rating			Top Recommendations		
	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A	China -HK	HK	China -A
Agriculture (0,0,1)	-	-	(9)	-	-	(35)	-	-	11	-	-	-	China Green	–	None
Automotive (8,0,17)	(9)	-	(8)	(29)	-	(34)	8	-	14	OP	-	OP	Denway	–	King Long
Chemicals (4,0,17)	3	-	2	(24)	-	(13)	8	-	19	U	-	OP	Sinofert	–	Y. Wanhua
Consumer - F & B (11,0,15)	(1)	-	(3)	(8)	-	(13)	8	-	14	MP	-	OP	Xiwang Sugar	–	Swellfun
Consumer - Durables (5,0,12)	(0)	-	(3)	(4)	-	(10)	4	-	12	MP	-	OP	Haier	–	Haier
Consumer - Textiles (4,10,1)	(0)	(3)	(0)	(3)	(2)	(1)	3	19	1	U	MP	-	Ports Design	Lifestyle	None
Consumer Services (6,10,7)	(2)	(2)	(3)	(15)	(15)	(23)	10	22	51	U	MP	OP	GOME	Shun Tak	Beijing Tour
Energy (9,0,12)	(4)	-	8	(18)	-	(13)	17	-	33	OP	-	OP	China Coal	–	Pingdingshan
Financials (12,15,19)	(7)	(2)	(12)	(10)	(3)	(29)	27	14	18	OP	MP	OP	ICBC	HKEx	ICBC
Industrial (15,14,38)	(3)	1	(2)	(8)	(16)	(23)	24	12	25	OP	OP	-	CCC	Pico	CRCC
Media (3,7,6)	10	9	(6)	(21)	4	(36)	16	15	30	U	MP	U	None	Next Media	None
Metals & Mining (10,0,18)	1	-	(5)	(16)	-	(34)	19	-	14	OP	-	OP	Xinxin	–	Shandong Gold
Pharmaceuticals (4,0,15)	14	-	5	2	-	(14)	3	-	22	OP	-	OP	TRT	–	Yabao
Property (11,14,15)	(12)	(5)	(15)	(21)	(18)	(35)	15	17	14	OP	MP	MP	Sino Ocean	MTRC	Vanke
Technology (9,5,6)	(10)	5	16	(11)	(10)	(1)	12	12	30	OP↑	U	OP↑	Lenovo	ASM Pacific	Shengyi Sci
Telecoms (4,4,1)	(10)	7	12	(12)	(1)	(19)	19	14	40	MP	U	MP	China Mobile	SmarTone	China Unicom
Transport - Aviation (5,2,9)	(2)	(1)	(2)	(5)	(4)	(11)	2	3	5	OP	-	OP	Air China	–	SIA
Transport - Land (6,2,11)	(2)	(1)	(2)	(6)	(4)	(14)	3	3	6	OP	MP	OP	Shenzhen Exp	None	Daqin Railway
Transport - Marine (7,2,8)	(3)	(1)	(2)	(7)	(4)	(10)	3	3	4	OP	U	MP	COSCO Pac	Pacific Basin	CSD
Utilities (10,3,16)	3	(1)	5	(21)	9	(32)	20	17	26	OP	U	OP	Beijing Ent	HK & C Gas	Yangtze Power

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

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Beware of Bouncing Cats

"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" – Huaqiao In the Middle Kingdom, May 2008.

Before I go into this month's discussion about the US dollar and oil prices, I want to set the record straight because I hate our industry's practice of analysts' claiming they got something right when, in actuality, they got it wrong and try to spin it to sound better after the fact. Conversely, as regular readers of this publication know, when I get it wrong, I come right out and admit that I stuffed it up. Equally, when I somehow miraculously (and against all odds) manage to throw the dart straight, I think that deserves recognition, as well.

This is what I wrote in January 2007, "Although the recent rises in markets may seem a little too crazy for old-hand investors, they also know that markets can get crazier than we have seen recently. Calling the top of a bull market is always a dangerous game and I am still not ready to do so for both liquidity and fundamental reasons… Despite a good start to the year, markets have had a few days of substantial corrections, which may lead some to believe that the bull market is over. I believe the current correction will be short-lived and represents a good (and possibly last) opportunity to take a position for the remainder of the bull-run during the first half of 2007."

In August 2007 I wrote, "I think that markets will take a breather (although I also said this about July and was horribly wrong) before powering to new highs in the last quarter. We may still experience another round of market shocks in October from overseas, but then, by the end of the month, positive 3Q07 earnings will likely propel the indices higher."

By October 2007, I had given up trying to predict the markets short-term moves. "While I hesitate to use the term bubble, it is probably fair to say that valuations across the board, even in Hong Kong, are looking a little extended (on 2008E earnings, HSI 20x, HSCEI 22x and FTSE-Xinhua A50 29x). Personally, I hate these sorts of liquidity and sentiment driven markets because it basically makes fundamental analysis nearly worthless as traditional valuation metrics will almost certainly be sending strong sell signals. In these sorts of situations, stocks move more on liquidity and news flows (i.e. asset injections, group restructurings and mergers and acquisitions). It is also in these environments where technical analysis probably becomes more useful."

Then, in November 2007, I wrote a small piece titled *5 November – The Day the Music Died*. "Needless to say, we are short-term bearish and believe that the long-awaited market correction has finally begun… Our view is that, if indeed the short-term liquidity situation is slowing down as suspected, a retrenchment in the markets is inevitable. We would guess that, over the next two months, the HSI could fall to the 26,000 level, the Hang Seng China Enterprise Index (HSCEI) to 16,000, with the Shanghai Composite re-testing the 5,100 level. As Don McLean sang, 'Bye, bye, Miss American Pie, drove my Chevy to the levy, but the levy was dry'."

I have been pretty bearish ever since last December and, in April 2008, I wrote, "I am about to make a big mistake and publish in black and white what I think is 'dirt cheap'. For the Hang Seng Index, it is 18,000-20,000. For H shares, it is 10,000-11,000. For the Shanghai Composite, it is 2,800-3,000. In other words, I recommend buying stocks at these levels for the medium to long term, as I think they are cheap enough that investors are likely to make pretty reasonable returns, as long as they are not too short term in their investment time horizons." I see no reason to change my view at this time; it is still too late and too early to buy Chinese equities.

Buddy, Can You Spare a Denarius?

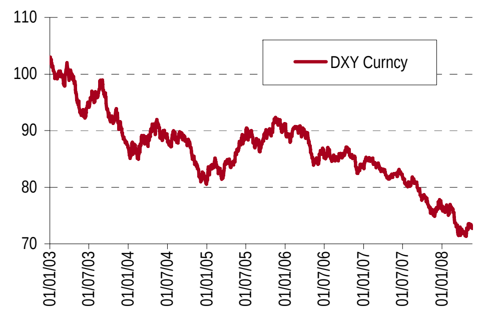
"As I've said on various occasions, devaluation strategies are not well calculated to breed long-run domestic prosperity. You can't devalue your way to long-term high standards of living." – Former US Treasury Secretary John Snow, July 2003

"If somebody has their wealth in dollars and they are going to buy consumer goods with dollars like a typical American, then the decline of the dollar, the only effect it has is to make imported goods more expensive." – Fed Chairman Ben Bernanke, November 2007

"The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists." – Ernest Hemingway, 1935

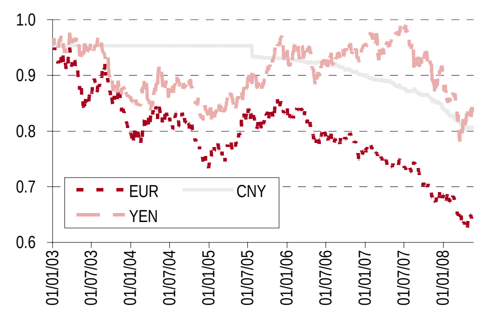
Global currency strategists have been calling for a major rebound of the US dollar this year; an assertion that I have, generally, agreed with, using the age-old logic that anything that falls as hard and as fast as the greenback has in the past few years is bound to bounce some time. However, the current bounce does not seem to be substantial, especially relative to the dollar rally seen in 2005. Moreover, it is interesting to note that the change in the US Dollar Index (an average exchange rate of the US dollar versus six major global currencies) virtually mirrors the dollar/euro exchange rate, while the movements of the yen and renminbi seem to have little correlation. It is also interesting to note that the appreciation of the yen over the past five years has almost been identical to the movement of the renminbi, which suggests that if China is "manipulating" its currency, as US politicians suggest, the Japanese are at least equally to blame.

US Dollar Index (DXY)



Source: Bloomberg

US$ vs Euro, Yen and Renminbi



Source: Bloomberg

While there may be a bigger recovery in the US dollar than we have seen over the past month, my medium-term view for the next several years is unchanged. I am still a bear on the US dollar; short-term rebound notwithstanding. While looking through my past strategy reports, I came across this one written in December 2004; "We are of the view that continued medium-term weakness in the US dollar is inevitable as long as the economy remains weak and the country continues to run large twin deficits." As none of these conditions appears to have changed (and possibly have gotten even worse) over the past four years, I see no reason to change my view on the US dollar either. We are still dollar bears and renminbi bulls.

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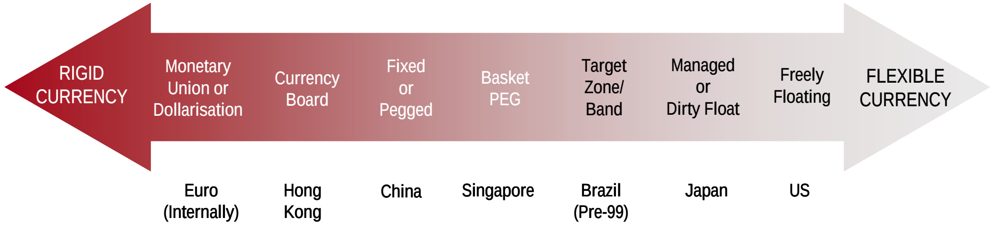
In the same issue of *HQMK*, in regards to the renminbi peg being changed, I wrote: "Other than a currency basket, there is another way to loosen the trading band without triggering a massive one-time appreciation to the top of the band – that is a creeping appreciation or a rising trading band system… A controlled appreciation of the renminbi through a gradually widening band (say by 1bps per day) would have the benefit of reducing speculative pressure. If global speculators knew that the renminbi would only appreciate by 3.65% a year, the return relative to the opportunity costs of borrowing in US dollars would be very low. We believe this would reduce speculative pressure as most currency speculators looking to attack pegged systems tend not be interested in low single digit returns but generally shoot for large one-off appreciations."

Continuum of Currency Regimes



Source: BOCI Research

I then added the illustration above. It would seem that most of what I predicted came true and, if I were to revise this graphic today, I would probably move China to where Brazil (pre-1999) was, as the current Chinese mechanism clearly resembles what Brazil did in the 1990s. While the renminbi's appreciation appears to have lost some steam recently (prompting numerous commentators to suggest that a devaluation of the Chinese currency is now possible), I maintain our house view that the renminbi remains on a long-term modest annual appreciation track and the current pause is likely the result of the short-term bounce in the US dollar, not a change in Chinese policy.

In fact, the US dollar's weakening is one of the few things that I can say I firmly believe in, given today's volatile markets. Before I go any further, I want to say upfront that I am not one of those "gold bugs" who advocate a return to the gold standard because it is clear that there is insufficient gold in the earth's crust to support current levels of modern merchandise trade, let alone capital flows. In fact, there has not been enough gold for a long time. President Lyndon Johnson, faced with an increasing run on gold, remarked in 1967 that, "The world supply of gold is insufficient to make the present system workable — particularly as the use of the dollar as a reserve currency is essential to create the required international liquidity to sustain world trade and growth."

For those with an interest in history, the Bretton Woods Agreement of 1944 (more or less following World War II) set the rules for global foreign exchange and trade for almost three decades. Under Bretton Woods, all countries pegged their currencies to the US dollar within a band of ±1% and the US dollar, in turn, was convertible to gold at a price of US$35/ounce. The pegged rates could be modified to accommodate major changes in economic and trade "equilibrium". During the reign of Bretton Woods, the British pound was revalued twice, the deutschemark three times and the French franc eight times. Only the Japanese yen maintained its ¥360/US$1 exchange rate unchanged throughout the entire Bretton Woods period.

The system worked well as long as the US remained the dominant power, but as other countries rebuilt after the war (notably Germany and Japan), the balance of trade began to swing against the US, which had enjoyed major trade surpluses following the end of World War II. Coupled with the huge costs of fighting the Vietnam War, America was beset with twin deficits (like it is today) and was forced to abandon gold convertibility for the US dollar in 1971. President Nixon also imposed price and wage controls at the same time to combat rampant inflation.

History is full of examples of hegemonic powers, faced with huge costs of maintaining empires suffering from devaluation and inflationary pressure. Rome under Emperor Diocletian (284-311 A.D.) is a good case in point because in 301 AD, he issued the *Edict on Maximum Prices* to control inflation and reform the currency, which had constantly been debased during the third century as internal and external strife caused subsequent emperors and would-be emperors to mint more coins with less precious metals to fund their wars. According to MSN Encarta, "Early Roman coins were made purely of precious metals like silver, but, over time, emperors devalued the currency by melting down these coins and then reissuing them with a lower percentage of precious metals. As the Roman economy weakened, the coins became of so little worth that, by the 3rd century, a Roman coin might contain only one percent silver".

According to *Wikipedia* (not necessarily the best of sources, but at least concise), "The first two-thirds of the Edict doubled the value of the copper and bronze coins, and set the death penalty for profiteers and speculators, who were blamed for the inflation and who were compared to the barbarian tribes attacking the empire. Merchants were forbidden to take their goods elsewhere and charge a higher price, and transport costs could not be used as an excuse to raise prices. The last third of the Edict, divided into 32 sections, set a limit on prices for over a thousand products. It did not fix prices, but instead set *maxima*, prices over which certain goods could not be sold. These goods included various food items (beef, grain, wine, beer, sausages, etc), clothing (shoes, cloaks, etc), freight charges for sea travel, and weekly wages. The highest limit was on one pound of purple-dyed silk, which was set at 150 000 *denarii* (the price of a lion was set at the same price). However, the Edict did not solve the problem, as Diocletian's mass minting of coins continued to increase inflation, and the maximum prices in the Edict were apparently too low. Merchants either stopped producing goods, sold their goods illegally, or used barter. The Edict tended to disrupt trade and commerce, especially among merchants. Sometimes entire towns could no longer afford to produce trade goods. Because the Edict also set limits on wages, those who had fixed salaries (especially soldiers) found that their money was increasingly worthless as the artificial prices did not reflect actual costs."

In other words, debasing the currency (which causes inflation) to fund fiscal deficits and foreign adventures along with government attempts at price controls to curb the ensuing inflation are an age-old tradition dating back nearly two millennia. We fast-forward to 1971 and move from the *Pax Romana* to the *Pax Americana*, when President Nixon, faced with the same set of problems (a war in Vietnam, huge deficits and inflation of 4%), as well as an election in 1972, tried to do the same thing with the same result. Initially designed as a short-term 90 day freeze, the price controls were ultimately extended for nearly 1,000 days before finally being dismantled in 1974, as inflation hit 9% by end-1973 and double-digits by end-1974. In other words, inflation remained unchecked and the economy was severely disrupted by shortages due to the distortions arising from the wage and price controls. We fast forward another 35 years and here we are again with huge twin deficits in the US, a depreciating currency and rising "real" inflation (i.e. not the fake "core CPI" numbers that exclude all the inflationary items like food and energy).

But, at least this time, the US (a few Congressmen aside) has had the common sense not to attempt to use price controls to try and rein in inflation. That dubious honour has shifted to China whose attempts to bring down inflation using price controls is, in my view, likely to end up with a similar result. Remember that even Nixon's botched attempt at price controls initially showed some success and, between implementation on 15 August 1971 and June 1972, inflation did fall to below 3%. However, the longer price controls stayed in place, the larger the distortions to the economy become. This has enormous implications for investments as I wrote in March "I believe the only real safe industries are right at the top of the value chain and right at the bottom. I call this the "buy it if you can dig it, drill it or grow it" principle, and includes things like gold mining, energy, and agriculture. Right down at the bottom means effectively the retail level. Anything in the middle requires a great deal of micro-level analysis as raw materials and costs are rising and it is uncertain how much, if any, can be passed on, given that the government is keen on putting price controls on any intermediary products." To this, I add today that any goods or services that will directly impact on consumer prices (i.e. gasoline, electricity, instant noodles) are probably the most likely to suffer sustained government attempts at price controls.

Finally, I want to add a humorous twist on currency devaluations. When I was a boy, I used to run a bar magnet over a pile of coins as a quick way to sort out the silver ones (which were discontinued in 1964) from the new ones (which stuck to the magnet). I never got rich in doing so but, even at that tender young age, I knew intuitively that silver coins were worth more than the debased new ones being issued (maybe I read about it in a comic book or something, but I have long since forgotten how I knew). Below is a table showing the melted-down value of the metal of different US coin denominations. The metal value of a silver 1964 dime is currently US$1.23 or 12x the face value of the coin versus the US$0.02 value of the current 10-cent piece. Similarly, the metal value of a 1964 quarter is US$3.07 (also 12x the face value) versus US$0.06 for the new one. Just as the Roman emperors kept cutting the silver content of the denarius to debase the currency, the American Republic has been doing the same since 1964. In 1971, US$35 in paper notes bought you one ounce of gold versus US$900 today (an increase of 25x), while oil now costs about US$130/bbl versus US$3/bbl in 1971 (an increase of 43x). According to the 27 May 2008, *Wall Street Journal*, "the [2008 one dollar 'silver' eagle coins], each containing about an ounce of silver, have become so popular among investors seeking alternatives to stocks and real estate that the US Mint can't make them fast enough. In March, the mint stopped taking orders for the bullion coins." Maybe Jim Rogers is on to something… but more on that in the next section.

Metal "Melt" Value of US Coins

Denomination	Dates of issue	Metal composition	Melt value (US$)
Penny (US$0.01)	1909-1982	95% copper, 5% zinc	0.0253
	1982-2008	97.5% zinc, 2.5% copper	0.0060
Nickel (US$0.05)	1932-1942	75% copper, 25% nickel	0.0639
	1942-1945	35% silver, 56% copper, 9% manganese	0.9553
	1946-2008	75% copper, 25% nickel	0.0639
Dime (US$0.10)	1916-1945	90% silver, 10% copper	1.2283
	1946-1964	90% silver, 10% copper	1.2283
	1965-2008	91.67% copper, 8.33% nickel	0.0224
Quarter (US$0.25)	1932-1964	90% silver, 10% copper	3.0707
	1965-2008	91.67% copper, 8.33% nickel	0.0560

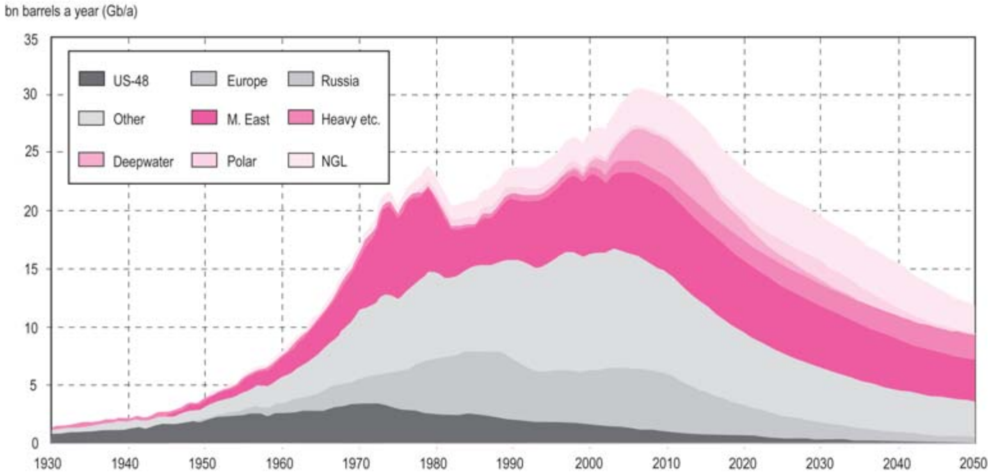
Source: Coinflation

Black Gold – US$200/bbl?

"Few would deny that the world runs on oil. By describing oil as a fossil fuel, everyone admits that it was formed in the past, which means that we started running out when we consumed the first barrel. That much can surely be agreed, even if opinions differ about how far along the depletion curve we are" – Dr. Colin Campbell

In the October 2006 issue of *HQMK*, I wrote "I have been reading lots on the subject of whether or not we will run out of oil soon and the case for an 'energy crisis' in the near future is best put forward by the Association for the Study of Peak Oil & Gas (ASPO). While ASPO's case for a peak in global oil production is well thought out and backed by masses of numerical evidence, I am not a believer. As I pointed out in the November 2005 issue of *Huaqiao*, since Thomas Malthus (1766-1834), and probably even before him, people have projected devastating shortages of everything from food to energy and have always been wrong in the end. That is not to say we will not run out of oil (we eventually will), but talk of its being right around the corner is likely misplaced. Author Colin Campbell had predicted in his 1997 book, *The Coming Oil Crisis*, that the peak would come in 2001, but he now says it will happen some time after 2010. When questioned about this huge change in such a short period, Dr Campbell said the exact day or year or peak oil production was not important, only that it was coming and soon... Maybe, in the great scheme of the universe, Dr Campbell is correct, but, in my narrow world of stock investments, the difference of more than a decade in forecasts is the equivalent of useless."

Colin Campbell's Peak Oil Production Forecasts (2004)



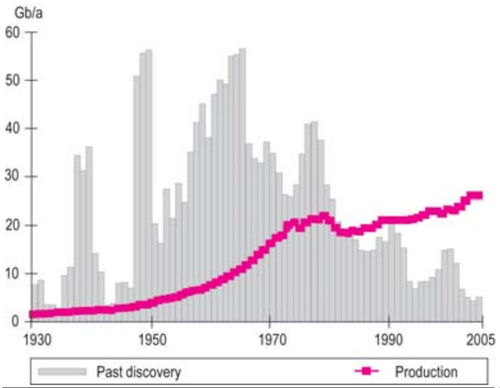
Sources: ASPO, Colin Campbell

Dr Campbell's most recent August 2006 update is pretty much similar to the chart above (I am too lazy to draw a new one) suggesting that we are just about or have already crossed peak oil production. With oil surging over US$130/bbl, investors must be wondering if this is true.

Now, Dr Campbell is much more an expert on the subject of oil and geology than I am as my only claim to petroleum knowledge is the four years (1988-1992) that I worked in the oil industry at a small consultancy firm and then at Mobil Oil. Dr Campbell, in a 1999 speech to the UK House of Commons claims: "My qualifications for taking up your time are that I have spent the last 45 years studying the subject both directly and indirectly. I have evaluated hundreds of oil prospects around the world. I have drilled many dry holes and even made a few discoveries. I have observed the oil industry from many angles, including its senior management. I have published two books and several papers on oil depletion." Wow, even I am impressed.

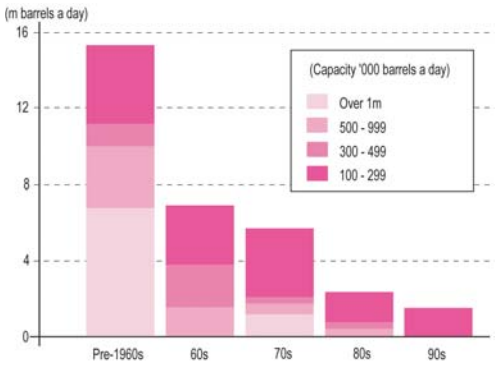
Let us look at the crux of the peak oil argument. First, that new discoveries peaked 50 years ago and that we are now merely exploiting old fields. This seems to be true and the last great discoveries were made in the 1970s, such as Prudhoe Bay in Alaska, Cantarell in Mexico, and the North Sea… Unless, of course, you count the now "denied as premature" announcement in April that Petrobas may have discovered the third largest oilfield in the world off Brazil. However, let us take at face value that there are no more new discoveries to be made and, even if they are made now, it will be years if not decades before they start producing significant amounts.

Oil Discoveries and Production



Source: ASPO International

Large Oilfields' Production



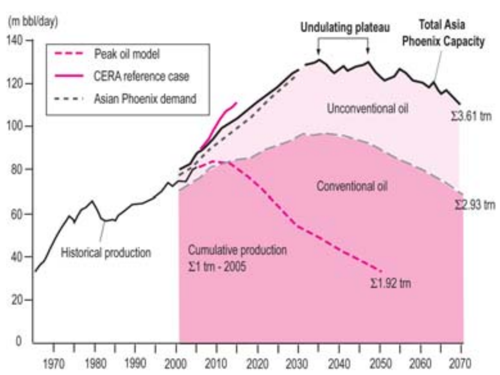
Source: Matthew R. Simmons – Hubbert Center 2002

Dr Campbell then basically says that all on the whole planet are a bunch of liars. OPEC countries lie about their reserves because they can increase their production quotas. Oil companies lie about their reserves to boost their share prices. At best, the opacity of the data (which Dr Campbell complains about *ad naseum*) makes him question if countries like Saudi Arabia or Russia can actually maintain, let alone ramp up, production levels. Unfortunately, recent anecdotal evidence tends to support this as Russian output actually fell in April and the vice-president of Lukoil came out to say that Russia's output may have already peaked. Then days later, Saudi Arabia came out and said that, given current demand forecasts, it did not see a need to increase output past the 12.5m barrels/day the country would produce by next year with King Abdullah saying "I keep no secret from you that, when there were some new finds, I told them, 'no, leave it in the ground, with grace from God, our children need it'."

Equally, Dr Campbell throws cold water on "non-convential" source of oil (Colorado oil shale, Venezuelan Orinoco heavy crude, Canadian tar sands, deepwater, polar exploration, synthetic oil and natural gas liquids) saying that none of these will have a meaningful impact.

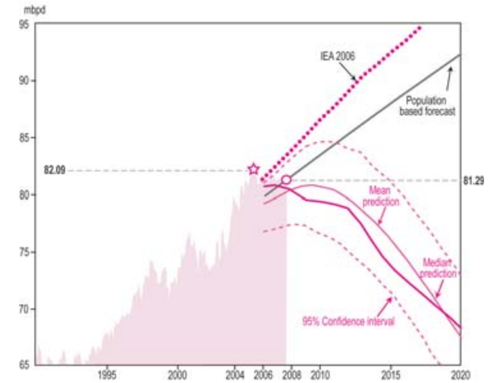
However, there are always two sides to every story and this one is no exception. The peak oil group lead by Dr Campbell and ASPO (Association for the Study of Peak Oil & Gas) says we are at or darned near the peak of global oil production (and it does not matter if we are off a decade or two, in any case) and the other group that says we are not. I have included two different charts below showing the difference between those that think we have not peaked, lead by EIA (Energy Information Administration) and CERA (Cambridge Energy Research Associates) and the ASPO/peak oil crowd. As an aside, CERA Chairman Daniel Yergin was author of the excellent book "The Prize: The Epic Quest for Oil, Money and Power", which I read during my Mobil Oil days (I have a new copy, but do not ask to borrow it as I lent my former boss at Mobil Oil my original copy and, to this day, has not returned it).

Projected Global Oil Production I



Source: Cambridge Energy Research Associates (CERA)

Projected Global Oil Production II



Sources: International Energy Agency (IEA), The Oil Drum

CERA has some fighting words for ASPO: "This is the fifth time that the world is said to be running out of oil. Each time – whether it was the 'gasoline famine' at the end of WWI or the 'permanent shortage' of the 1970s – technology and the opening of new frontier areas has banished the spectre of decline. There's no reason to think that technology is finished this time… There is general agreement that a peak or plateau of sorts will develop in the next 50 years, and it is not helpful to couch the debate in terms of a superficial analysis of reservoir constraints. It will be aboveground factors such as geopolitics, conflict, economics and technology that will dictate the outcome… The 'peak oil' theory causes confusion and can lead to inappropriate actions and turn attention away from the real issues… Oil is too critical to the global economy to allow fear to replace careful analysis about the very real challenges with delivering liquid fuels to meet the needs of growing economies. This is a very important debate, and as such it deserves a rational and measured discourse."

Global Resources, Conventional and Unconventional, CERA Projection

(bn of barrels)	Cumulative production	OPEC Middle East	Other conventional	Deepwater	Arctic	Enhanced oil recovery	Extra heavy	Oil shale extract	Exploration potential	Totals
Rest of the world	813	662	378	50	110	510	277	200	660	3,660
United States	234	-	19	8	5	76	-	500	83	925
Canada	31	-	7	3	3	6	167	4	15	236
Total	1,078	662	404	61	118	592	444	704	758	4,821

Sources: United States Geological Service, World Petroleum Assessment 2000, Cambridge Energy Research Associates, National Energy Board Canada

As the above charts and tables suggests, CERA thinks that oil production will not hit a peak before 2030 and that, even then, it will not fall off a cliff into terminal decline, but will gradually taper off in what it describes as an "undulating plateau". "CERA believes that the global inventory is some 4.8 trillion barrels, of which about 1.08 trillion barrels have been produced, leaving 3.72 trillion conventional and unconventional barrels…" I must add that CERA's analysis of supply and demand is based on several scenarios of which I tend to believe in the "Asian Phoenix" one, which posits that "Asia's share of global economic output climbs steadily from 37 percent in 2006 to 54 percent in 2030. China makes up one half of Asia's output by 2030 and 27 percent of world output. This represents a dramatic shift from 1980 when the United States and Europe together made up 54 percent of global output. By 2030 the United States and Europe collectively constitute only 29 percent of global output. These changes are also reflected in energy markets. Asia's share of total world energy consumption rises from 29 to 42 percent."

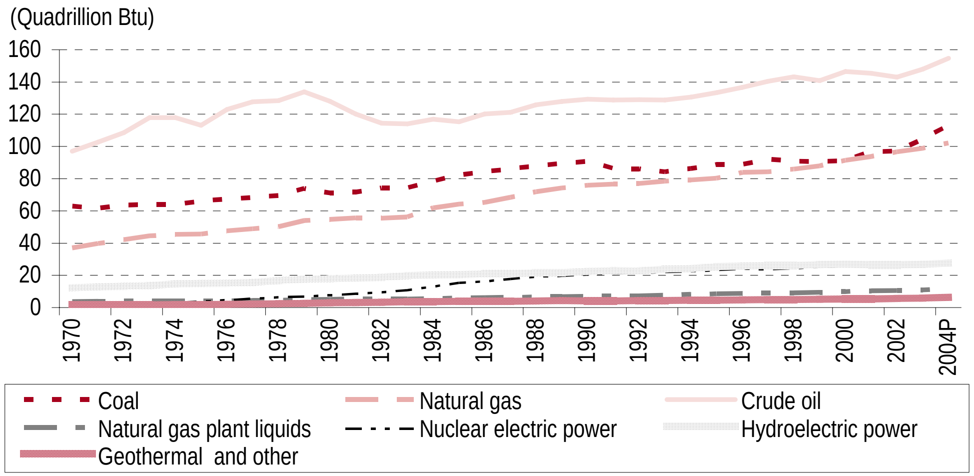
Who to believe? I have no idea, as there are far too many variables and insufficient data for me to even begin to hazard a guess. I can say, though, that my gut instinct tells me that "the end of the world is nigh" scenarios tend to be wrong and the more moderate views tend to be right. In other words, I am guessing that we will not run out of oil in the next couple of years.

If true, then why is oil hitting record highs? First, I must admit *mea culpa* for my 2006 view: "While gasoline prices have bounced back with a vengeance, it is probably worthwhile to keep in mind that oil last reached its peak price in April 1980, which, on an inflation-adjusted basis, comes to just about US$100/bbl. It is also human nature to extrapolate trends in a straight line and also to panic when there is a sudden shift from a long-term trend, as we have seen in commodity prices over the past three years. However, I still expect markets to right themselves eventually, as current forecasts of demand will likely fall short (as energy conservation becomes vogue again à la the Toyota Prius), while supply will also surprise on the upside. In the 1970s, the supply surprise came from big discoveries in non-OPEC regions, such as Alaska's Prudhoe Bay and the North Sea. This time, it may be other factors, including increased non-conventional crude (i.e. Canadian tar sands, American oil shale, Venezuelan heavy oil) and more alternative fuels, such as ethanol and bio-diesel. Depending on whose estimates you believe, Canadian oil sands' total reserves are about the same as those of Saudi Arabia, while estimates of unconventional oil reserves are about twice as much as existing conventional oil reserves. With extraction costs at Syncrude running around US$15/bbl, the economic return at US$70/bbl for previously uneconomic sources is probably too high to be sustainable in the long run (there are announced investments of over C$70bn in the Canadian tar sands, but it typically takes at least six years to bring new supply online). I maintain my medium-term view of oil price at around US$50/bbl, but that does not mean we will not have spikes and volatility in prices in the short term."

US$50 a barrel? Whoops. Good thing I am not a commodity trader. In my defence, I have changed my view since then and from the beginning of this year, when clients have asked me what I thought about oil prices, my standard response has been that I think it will hit US$150/bbl before it comes back down to US$80/bbl. What made me change my mind (other than being completely wrong)? First, I do believe that the weakness in the US dollar has had a part to play in pushing up the price of oil (and other commodities) and the decline in the greenback has been much faster and deeper than I originally thought. Second, it turns out that all that unconventional crude is not so easy to produce after all; even if you spend billions of dollars. Physical constraints, such as qualified labour (costs of drilling have doubled over the past several years due to shortages of crews and equipment) and environmental problems (it takes four barrels of water to make one barrel of oil from the Canadian tar sands) have both taken their toll.

Well, let us examine some energy basics. First, let us look at where global energy comes from (see table below). Nothing surprising here, as we can see that oil is the largest source of energy followed by coal and gas (i.e. all the fossil fuels) and alternative energy sources are minor.

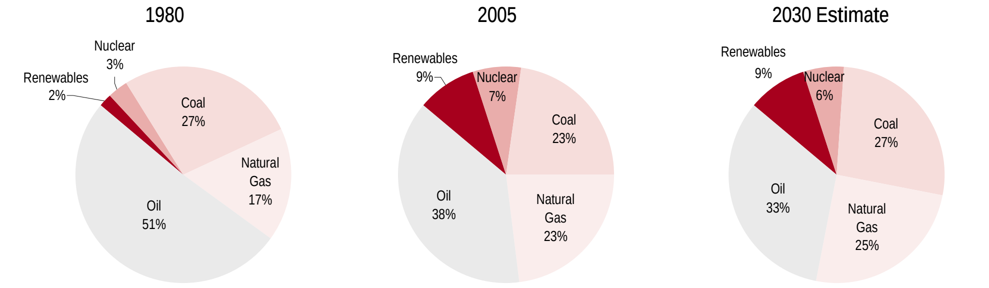
Global Energy Consumption



Source: Energy Information Association (EIA)

CERA estimates that global energy consumption increased by 60% in the 25 years between 1980 and 2005 and that in the next 25 years from 2005 to 2030, energy consumption will rise 75%. More interestingly, CERA predicts that the mix of energy sources will not show any major change between now and 2030, unlike during the previous 25 years when we saw a decline in the percentage of oil used (mostly replaced by gas, nuclear and renewables). In other words, CERA thinks mankind will remain a hydrocarbon junkie for some time. On this, I generally agree.

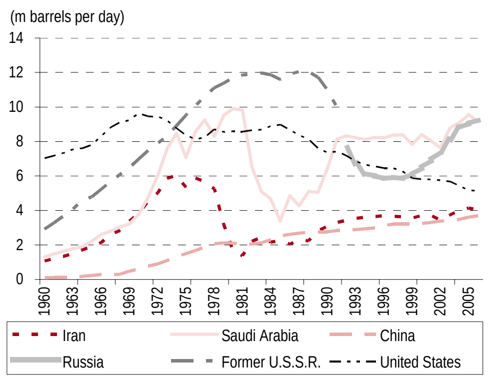
Global Primary Source of Energy



Sources: Energy Information Association (EIA), Cambridge Energy Research Associates (CERA)

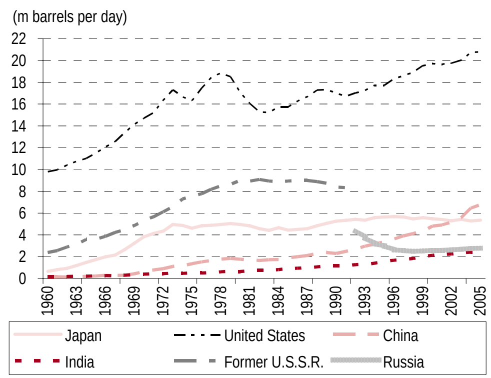
Now, where does all that oil come from and who is using it? On the production side, it should come as no surprise that the major increase in production over the past few years has been from Saudi Arabia and Russia, while the US continues a long-term production decline that started in the 1980s. On the consumption side, we can see that, over the past decade, the rise in global oil consumption is primarily driven by the US, China and India (i.e. emerging markets), while the rest of the OECD is probably flattish, similar to what we have seen in Japan.

Major Oil Producing Countries



Source: Energy Information Association (EIA)

Major Oil Consuming Countries



Source: Energy Information Association (EIA)

And where does China fit in the great scheme of things? As the table below shows, while China is the fifth largest producer of oil in the world (remember that the Daqing oilfield is one of the four biggest in the world), it is now the second largest consumer of oil and third largest importer. So, rather than being a marginal (but growing) player in global production and consumption of oil, as is the common perception, China is, in fact, the second or third most important variable in the global oil equation today.

BOC INTERNATIONAL
June 2008

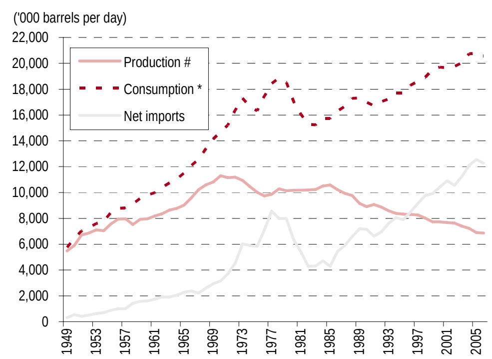
2006 Largest Oil Producers, Consumers, Importers and Exporters *('000 bbl/day)*

Production			Consumption			Imports			Exports		
	Country	volume		Country	volume		Country	volume		Country	volume
1	Saudi Arabia	10,665	1	United States	20,687	1	United States	12,357	1	Saudi Arabia	8,525
2	Russia	9,677	2	China	7,201	2	Japan	5,031	2	Russia	6,866
3	United States	8,330	3	Japan	5,159	3	China	3,356	3	U.A.E.	2,564
4	Iran	4,148	4	Russia	2,811	4	Germany	2,514	4	Norway	2,551
5	China	3,845	5	Germany	2,665	5	Korea, South	2,156	5	Iran	2,462
6	Mexico	3,707	6	India	2,572	6	France	1,890	6	Kuwait	2,340
7	Canada	3,288	7	Canada	2,264	7	India	1,718	7	Venezuela	2,183
8	U.A.E.	2,945	8	Brazil	2,217	8	Italy	1,568	8	Nigeria	2,131
9	Venezuela	2,803	9	Korea, South	2,174	9	Spain	1,562	9	Algeria	1,842
10	Norway	2,786	10	Saudi Arabia	2,139	10	Taiwan	940	10	Mexico	1,710
11	Kuwait	2,675	11	Mexico	1,997	11	Netherlands	935	11	Libya	1,530
12	Nigeria	2,443	12	France	1,961	12	Singapore	825	12	Iraq	1,438
13	Brazil	2,166	13	United Kingdom	1,830	13	Turkey	625	13	Angola	1,379
14	Algeria	2,122	14	Italy	1,732	14	Thailand	594	14	Kazakhstan	1,145
15	Iraq	2,008	15	Iran	1,686	15	Belgium	583	15	Qatar	1,032

Source: Energy Information Association (EIA)

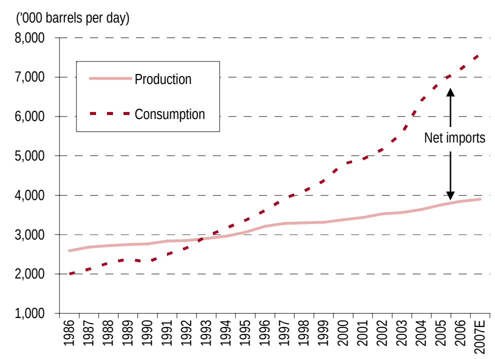
If fact, China and the US are the largest "swing" countries in terms of global oil demand as the charts below illustrate with demand for imported oil of both rising dramatically. Conversely, the demand from the rest of the OECD, including Japan, has been relatively flat. This partially explains the current problem of high oil prices. By looking closer at the US consumption chart, one can clearly see that back in the 1970s and early 80s, there was clearly a demand reaction from higher oil prices that pushed American (and hence global) oil demand lower. This time around, while we still expect a modest decline in demand in the US, the continued increase in demand from China (where auto sales are still growing at around 20% per year) has meant that global demand for oil is not seeing a similar decline as was the case 30 years ago.

USA Oil Production and Consumption



** Petroleum products supplied is used as an approximation for consumption.*
 # Crude oil and natural gas plant liquids production.
Source: Energy Information Association (EIA)

China Oil Production and Consumption



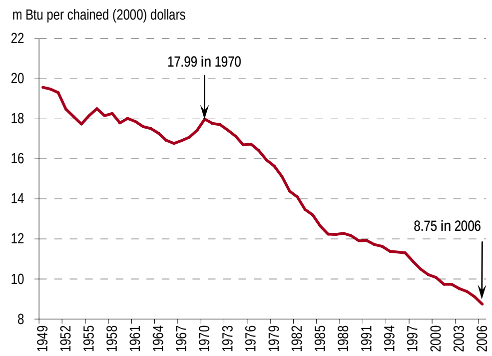
Source: Energy Information Association (EIA)

One has to wonder why the demand has been so strong, despite the downward demand pressure stemming from sharply higher oil prices. Moreover, why has the jump in oil prices not resulted in the same sharp downturn in the global economy (i.e. recession in the US) that caused demand for oil to fall so sharply 30 years ago? I think part of the reason is that the sharply higher oil price we have seen recently has not had time to elicit a demand response, which usually takes a few years. If oil prices stay at US$130/bbl or higher, I am sure we will have a decline in demand over the next few years.

The *Economist* has other explanations for the delayed demand reaction. "There are three explanations for the oil price's muffled impact. The first is that nowadays developed economies are more efficient in their use of energy, thanks partly to the increased importance of service industries and the diminished role of manufacturing. According to the Energy Information Administration, the energy intensity of America's GDP fell by 42% between 1980 and 2007. A second theory is that the oil-price rise has been steady, not sudden, giving the economy time to adjust. Giovanni Serio of Goldman Sachs points out that in 1973 there was a severe supply shock because of the oil embargo, when the world had to cope with 10-15% less crude almost overnight. Not this time. The third explanation turns the argument on its head; rather than oil harming the global economy, it is the global expansion that is driving up the price of oil." I think that all of these explanations have merit.

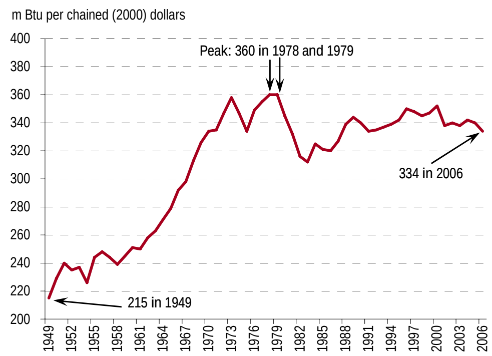
Regarding the *Economist's* first point, the charts below clearly affirms the assertion that energy efficiency has increased dramatically in the US (in fact, the same is true for most every country in the world, including the rest of the OECD and even China, where energy use per unit of GDP has fallen over the past 30 years). Moreover, despite the common perception that Americans waste energy extravagantly to maintain their lifestyles (i.e., gas-guzzling SUV's, heating and air conditioning for giant McMansions), energy consumption per capita has, in fact, remained relatively flat over the past 30 years. While it is likely that Americans can actually reduce their energy consumption per capita as efficiency for cars and other things rises, the numbers do not suggest that there can be a sharp decline in actual energy use per capita as some suggest. Nonetheless, we can see that, even a slight decline in energy use per capita, as seen in the early 1980s in the US, can result in a dramatic decline in absolute demand for oil.

Energy Use per Real Dollar of GDP (USA)



Source: Energy Information Association (EIA)

Energy Consumption per Person (USA)



Source: Energy Information Association (EIA)

Part of the problem is that neither of the two major users of oil (US and China) has economic policies that actually encourage energy thrift. The most visible (and probably most effective way) to reduce oil demand is to raise the price of petrol (gasoline for our American friends). One can legislate fuel economy for cars and try to make them more efficient, but the best way for a market to reduce demand for any commodity is to increase the price.

Global Price of Gasoline US$/Gallon (10 Most Expensive and 10 Cheapest Countries)

Rank	Country	US/Gallon	Rank	Country	US$/Gallon
1.	Eritrea	$9.58	1.	Venezuela	12 cents
2.	Norway	$8.73	2.	Iran	40 cents
3.	United Kingdom	$8.38	3.	Saudi Arabia	45 cents
4.	Netherlands	$8.37	4.	Libya	50 cents
5.	Monaco	$8.31	5.	Swaziland	54 cents
6.	Iceland	$8.28	6.	Qatar	73 cents
7.	Belgium	$8.22	7.	Bahrain	81 cents
8.	France	$8.07	8.	Egypt	89 cents
9.	Germany	$7.86	9.	Kuwait	90 cents
10.	Portugal	$7.84	10.	Seychelles	98 cents
111.	United States	$3.45	44.	United States	$3.45

Source: AIRINC

In a May 2008 survey of global petrol prices for 155 countries, AIRINC found that the US was in 111th place or, indeed, one of the cheapest places in the world for gasoline. Basically, only oil-producing countries that heavily subsidise their petrol prices are cheaper. I do not know where China fits in this ranking, but at 3.79 litres in a US gallon, it means that the price of petrol in China, which is currently around Rmb6/litre, is about US$3.25/gallon, even cheaper than in the US. Contrast this to the Europeans, who heavily tax their petrol, and even to Hong Kong, where petrol at HK$16/litre is about US$7.77/gallon, and one can easily see why petrol demand (and, hence, demand for oil as transportation fuel, the primary end-product for crude) in the OECD has been flat relative to the rest of the world, but rising in the US and China.

Therefore, as long as the US and China continue to offer cheap petrol to their citizens, the outlook for a sharp decline in global demand for oil is somewhat muted. When coupled with the inability (unwillingness?) of OPEC and other major oil producers to ramp up production, we are likely to continue to have a tight supply/demand picture for oil over the next few years until investments in "non-convential" crude sources and/or major new finds like the one in Brazil kick in. Thus, I believe that, while current oil prices may be a little frothy and probably due for some kind of pull-back, the long-term level is likely to be much higher than my original view of US$50/bbl. But, who knows, maybe Goldman Sachs will get lucky again and oil will actually hit US$200/bbl due to some geopolitical problems in Iran or Nigeria.

Finally, on the issue of alternative energy, I went back and re-read what I wrote two and a half years ago in the November 2005 issue of *HQMK* and think that pretty much everything I said then still applies today. Readers interested in the detailed background can refer to the original articles, but I will extract a few of the key points here. "It is important to note that, given the technology we have today, it is unlikely that alternative energy sources will account for a substantial portion of the global total anytime soon. As of 2002, only 6.5% of total global energy was nuclear and another 7.8% came from renewable sources (of which about half was actually hydroelectric). Oil alone accounts for almost 40% of the world's energy supply and, when combined with coal and natural gas, more than 85% of the world's energy needs are derived from traditional fossil fuels… In light of the current high oil price, it was perhaps inevitable that the theme of alternative energy would rise as a hot investment topic. While it may not be as hot as the dot-com frenzy a few years ago, when companies start to rush to market and raise cash on unproven (in the sense of profitability) technologies, one has to worry about a possible bubble. In my view, there are two types of bubbles: ones founded on excess valuation on something that is fundamentally valuable (i.e., property bubbles), and ones founded on dreams of the future. I think that, most of alternative energy likely falls in the latter category… Maybe one day the whole world will change as we discover a cheap, renewable and non-polluting way to make large amounts of electricity for our homes and hydrogen for our cars. However, it appears that the age of 'hydrocarbon man' will not come to an end anytime soon and investors in alternative energy may find themselves with a handful of unfulfilled hopes and dreams."

In any case, we have to be prepared for high oil prices over the medium term and the inflationary impact that this will eventually bring. Moreover, unless China reforms its current price controls on refined products, mainland oil companies (excluding CNOOC, which has little refining) will likely underperform their global peers, given that they are hit by a double-whammy of high resource taxes on prices over US$60/bbl on the upstream side and increasingly huge losses on the downstream refining side due to their inability to raise the prices of end-products.

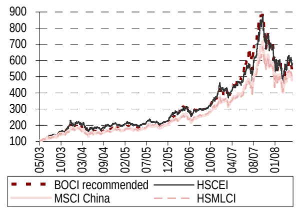
China – HK Strategy

Performance Comparison

	% Change 1M	YTD	Since Incept*
BOCI recommended	(1)	(21)	456
MSCI China	(4)	(18)	381
HSMLCI	(3)	(13)	395
HSCEI	(1)	(16)	481

** Inception May 2003*
Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

- We add Lenovo as we believe it will continue to benefit from a further penetration into the robust-growing emerging markets. In addition, we reckon its extensive distribution network in lower-tier cities in China, which is perceived as the next growth driver, allows the company to gain more market share. With the ongoing improvement in supply chain management and demand shift from desktop to notebooks, we think Lenovo will be able to manage rising component costs.
- We add China Mobile because, although the industry restructuring and the subsequent regulatory reforms may have a negative impact on it, we suspect the recent price decline more or less reflects the downside risk.
- We remove China Agri as its earnings are heavily skewed towards the oilseed processing instead of the biofuel business.
- We remove Guangzhou Shipyard, as we believe global shipping capacity expansion may exceed demand. It is likely that the global shipbuilding market may move into a downcycle after 2009. Going forward, we expect a reduction in the amount of new orders.

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) FY07	FY08E	FY09E	Yield (%) FY08E	FY09E	% Chg. 1M	YTD	Since rec.	Date rec.	Wgt (%)
Lenovo	0992.HK	5.84	227	23,295	41.6	14.7	13.6	2.7	4.0	(6)	(17)	0	29-May-08	3
China Mobile	0941.HK	114.6	4,117	582,314	23.4	18.9	17.4	2.5	2.8	(11)	(17)	0	29-May-08	5
China Railway Construction	1186.HK	12.28	-	21,515	37.9	29.2	20.1	0.8	1.3	2	2	2	09-May-08	8
China National Material	1893.HK	8.02	114	9,336	36.4	34.1	23.0	0.9	1.3	11	(16)	11	09-May-08	6
Gome Elec. Appliances	0493.HK	17.8	189	34,578	27.4	20.2	16.2	1.9	1.9	5	(4)	0	03-Apr-08	2
China Coal	1898.HK	17.12	649	70,368	29.7	22.4	15.8	0.9	1.3	11	(30)	15	03-Apr-08	4
Wumart Stores	8277.HK	6.6	8	4,445	23.9	18.1	14.6	1.7	3.4	(3)	(0)	11	07-Mar-08	4
China Green	0904.HK	10.26	20	4,890	22.8	21.2	17.5	1.3	1.5	(2)	23	22	07-Mar-08	5
ICBC	1398.HK	5.8	2,168	576,737	21.5	13.2	11.0	4.1	4.8	(2)	4	14	07-Mar-08	9
CNOOC	0883.HK	13.74	1,969	176,530	17.0	12.2	12.0	2.5	2.5	(2)	3	16	01-Feb-08	3
Anta Sports Products	2020.HK	8.54	28	5,316	45.2	24.9	17.6	1.2	1.7	(6)	(21)	(24)	04-Jan-08	5
Shanghai Jinjiang Hotel	2006.HK	2.27	14	3,711	33.4	22.5	17.9	1.9	2.4	(7)	(29)	(38)	04-Jan-08	5
Xiwang Sugar	2088.HK	2.97	5	917	6.1	4.5	3.6	5.8	7.7	(7)	(12)	(3)	07-Dec-07	5
Xinjiang Xinxin Mining	3833.HK	5.52	10	3,806	13.3	14.9	11.2	1.6	2.2	(4)	(37)	(44)	07-Dec-07	3
Sino-Ocean Land	3377.HK	6.32	176	2,716	14.6	13.3	8.9	3.0	4.4	(6)	(35)	(56)	02-Nov-07	4
China Everbright	0165.HK	18.1	261	12,993	5.7	12.1	12.7	0.8	0.8	(5)	(27)	(25)	07-Sep-07	6
Beijing Enterprise	0392.HK	30.1	52	10,923	18.0	18.2	14.8	1.3	1.3	0	(19)	21	01-Jun-07	3
Tong Ren Tang Tech	8069.HK	11.5	2	1,005	10.6	9.2	7.7	4.3	5.2	0	(21)	(25)	30-Apr-07	3
Kunming Machine	0300.HK	8.16	5	612	12.7	8.8	6.9	3.4	4.4	(6)	(25)	36	5-Jan-07	5
CR Power	0836.HK	20.5	184	33,256	23.3	23.6	19.3	1.4	1.5	7	(24)	466	7-Jan-04	9
Cash (incl. dividends)														4
Total														100
Stocks Removed or Reduced from the BOCI China-HK Recommended List														
China Agri-Industries	0606.HK	5.28	648	8,032	16.4	11.4	10.2	1.3	1.5	(2)	1	10	07-Sep-07	3
Guangzhou Shipyard	0317.HK	26.7	57	4,205	13.6	9.1	7.8	2.2	4.2	(7)	(40)	(33)	01-Jun-07	5

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

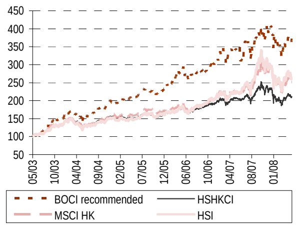
Hong Kong Strategy

Performance Comparison

	% Change 1M	YTD	Since Incept*
BOCI recommended	2	(9)	272
MSCI HK	(1)	(15)	152
HSHKCI	(1)	(10)	111
HSI	(3)	(12)	162

** Inception May 2003.*
Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

- We add CIFH as we believe it trades at defensive valuations of 9.9x 2008E P/E and 1.1x P/B and the finalisation of the details for establishing a joint Asian banking platform with BBVA, which is expected to be announced soon, will serve as further growth drivers for CIFH in the longer term.
- We add Lee & Man Paper because containerboard demand remains robust in China. That small paper mills keep paring down helps weaken competition. The stock's share price has plunged as much as 60% from its one-year high. At barely 7.5x FY09 P/E, we see decent upside opportunities from this level.
- We remove SIno Land as we expect the Hong Kong residential property market to consolidate further with price downsides of 10% mass residential properties and 15% for high-end ones. We believe Sino Land is more vulnerable and less attractive due to its higher exposure to residential properties among developers.
- We remove Embry Form as it reported unimpressive FY07 results due to an unexpected surge in advertising expenses. Despite our optimism for the long-term growth of bra sales in China, we believe that Embry's brand-building exercise will continue to be on a rising trend and will drag its profit growth.

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) FY07	FY08E	FY09E	Yield (%) FY07E	FY08E	% Chg. 1M	YTD	Since rec.	Date rec.	Wgt (%)
CIFH	0183.HK	5.60	40	9,767	17.5	9.8	7.1	1.1	1.8	11	15	0	29-May-08	4
Lee & Man Paper	2314.HK	15.36	69	4,006	15.2	11.5	7.5	3.1	4.7	4	(55)	0	29-May-08	4
Stella International	1836.HK	13.70	9	3,071	12.0	10.1	8.2	6.8	8.5	15	(21)	15	9-May-08	10
Luk Fook	0590.HK	5.20	2	1,356	13.7	10.6	9.1	4.8	5.6	0	(29)	0	9-May-08	9
Dah Sing Financial	0440.HK	65.60	15	5,906	15.6	11.0	9.3	3.2	3.9	15	(15)	19	3-Apr-08	7
New World Dev.	0017.HK	18.76	239	44,328	16.2	9.4	14.5	2.2	2.9	(6)	(32)	(7)	3-Apr-08	3
HKEx	0388.HK	134.00	1,562	135,375	23.3	23.2	21.4	4.3	4.7	(11)	(39)	(2)	7-Mar-08	7
Lifestyle	1212.HK	14.70	47	7,997	24.5	21.3	18.8	1.9	2.1	(11)	(30)	(25)	1-Feb-08	3
Clear Media	0100.HK	6.90	1	1,801	25.6	16.3	19.7	0.0	0.0	(1)	(15)	6	1-Feb-08	6
Ports Design	0589.HK	23.95	32	8,161	30.4	23.7	17.9	2.6	3.5	(5)	(12)	(15)	4-Jan-08	5
MTR Corporation	0066.HK	26.75	263	35,122	9.9	18.2	15.5	1.7	2.0	(0)	(7)	(16)	4-Jan-08	4
GZI REIT	0405.HK	2.90	4	2,001	13.2	13.8	12.1	7.2	8.3	(1)	(6)	(8)	5-Oct-07	9
Next media	0282.HK	3.34	1	2,095	23.4	15.5	13.7	7.2	5.4	6	21	25	29-Jun-07	7
Standard Chartered Bank	2888.HK	283.00	31	398,331	18.3	17.5	14.2	2.5	3.0	3	(2)	31	9-Mar-07	8
HK & China Gas	0003.HK	19.40	218	64,020	11.6	22.3	20.6	1.8	1.8	(3)	(11)	95	23-May-03	5
Cash (incl. dividends)														8
Total														100
Stocks Removed or Reduced from the BOCI HK-HK Recommended List														
Sino Land	0083.HK	19.46	241	44,630	14.3	15.6	19.1	2.0	2.1	(3)	(30)	(23)	7-Dec-07	6
Embry Form	1388.HK	2.84	2	286	9.2	9.2	7.3	4.2	5.3	(9)	(54)	(62)	1-Jun-07	1

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

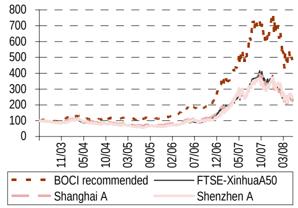
China – A Strategy

Performance Comparison

	% Change 1M	YTD	Since Incept. *
BOCI recommended	(9)	(32)	379
Shanghai A	(6)	(35)	123
Shenzhen A	(6)	(29)	144
FTSE-XinhuaA50	(8)	(37)	130

** Inception May 2003*
Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

- We add Yaobao Pharmaceutical as its revenue and profit began to soar in 2007 **a**fter heavy investments in fixed assets and marketing infrastructure during 2004-06. Yabao now has abundant capacity, a complete marketing network, and many products being developed. Our target price for Yaobao is Rmb20, based on a 2008E PEG of 0.8x and P/Es of 35x, 25x and 20x for 2008-10 respectively.
- We add Hubei Shuanghuan Sci & Tech, as we believe that, due to a price hike for its main product, soda ash, its net profit for 2008 will surge 286% YoY on revenue growth of 66% YoY. It also plans to double capacity in 2009 to 115tpa from 60tpa. We have set it a target price of Rmb18.17, equal to 23x 2008 P/E and based on an EPS estimate of Rmb0.79.
- We remove Sany Heavy as its current valuation looks a little expensive as the market valuation has dropped a lot in the past few months. We are still positive on the company in light of the rapid growth in the domestic market and the export business. Besides, we expect the company to complete the possible asset injection of excavators from the parent in cash in 2008.
- We remove Dongfang Electric it suffered a huge loss due to the earthquake in Sichuan. We expect the company will need at least half year to recover the destroyed capacity. Despite lots of orders on hand, we see uncertainty Dongfang's earnings in the short term.

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) FY07	FY08E	FY09E	Yield (%) FY07E	FY08E	% Chg. 1M	YTD	Since rec.	Date rec.	Wgt. (%)
Yabao Pharmaceutical	600351.SS	14.26	40	1,710	41.9	25.0	17.8	0.0	1.7	(7)	(17)	0	29-May-08	2
Shuanghuan Sci & Tech	000707.SS	14.17	141	1,493	69.5	18.0	14.5	0.7	2.1	(9)	4	0	29-May-08	2
Xinjiang Tianshan Cement	000877.SZ	10.66	37	1,413	21.3	13.5	8.2	2.9	4.9	(6)	(6)	(37)	9-May-08	8
Fujian Dongbai	600693.SS	15.78	47	3,262	68.6	36.7	27.2	0.6	1.1	(1)	5	(1)	9-May-08	3
Chengdu People's Department Store	600828.SS	25.74	13	1,846	56.0	39.6	31.0	0.7	1.0	7	21	23	3-Apr-08	6
Qinghai Salt Lake Potash	000792.SS	89.00	231	34,791	69.0	30.0	24.8	1.5	1.6	(5)	14	7	3-Apr-08	5
Yantai Wanhua	600309.SS	21.80	226	14,019	24.5	17.8	12.9	2.3	2.8	(21)	(43)	(45)	7-Mar-08	4
China Vanke	000002.SZ	19.22	1,883	113,053	27.1	15.9	11.4	1.2	1.8	(12)	(33)	(29)	1-Feb-08	2
Bank of Beijing	601169.SS	15.16	390	13,216	24.9	18.0	14.6	2.2	2.8	(5)	(26)	(14)	1-Feb-08	3
Sichuan Swellfun	600779.SS	29.07	204	8,534	70.9	34.2	21.5	0.3	0.3	(1)	3	2	4-Jan-08	11
Shanghai Jinjiang Dev.	600754.SS	12.90	29	2,800	29.3	26.3	23.9	3.0	3.3	(8)	(36)	(40)	4-Jan-08	3
Long Yuan Construction	600491.SS	12.02	34	2,886	24.4	17.7	13.3	0.9	1.1	2	(14)	8	02-Dec-07	7
Wangfujing Dep't Store	600859.SS	41.81	55	8,281	61.7	35.7	27.3	0.7	0.9	(6)	(17)	(7)	02-Dec-07	2
Shandong Gold Mining	600547.SS	62.01	325	4,857	51.2	10.2	9.8	5.9	6.1	(55)	(27)	(63)	02-Nov-07	3
Pingdingshan Tian'an Coal	601666.SS	46.00	322	13,846	44.7	29.9	24.9	1.5	2.1	(13)	(1)	29	07-Sep-07	12
Zhenhua Port Machinery	600320.SS	14.22	190	15,961	22.8	17.4	13.5	1.5	2.0	(10)	(44)	(39)	09-Aug-07	4
ICBC	601398.SS	5.83	977	87,240	24.3	14.9	12.7	3.6	4.3	(5)	(28)	22	9-Feb-07	3
Qingdao Haier	600690.SS	15.30	183	10,069	30.6	17.6	14.4	1.7	2.1	(11)	(47)	242	8-Sep-06	5
Kweichow Moutai	600519.SS	169.84	249	69,247	56.6	39.7	29.6	0.9	1.3	(4)	(26)	1,066	20-Jun-03	9
Cash (incl. dividends)														3
Total														100
Stocks Removed or Reduced from the BOCI China-A Recommended List														
Sanyi Heavy	600031.SS	38.11	181	17,012	22.6	16.1	11.9	1.2	1.7	(6)	(33)	6	29-Jun-07	2
Dongfang Electric	600857.SS	33.10	298	2,517	12.2	11.5	10.2	3.6	0.0	(25)	(63)	(61)	7-Mar-08	2

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

China Economy

- In last month's HQMK, we said that, "we expect a different policy against rising inflation, faster renminbi appreciation, interest rate hikes and more tightening administrative measures and/or the combination of all the above". Following the publication of the May issue of HQMK, the People's Bank of China (PBOC) announced a further hike of 0.5ppt to 16.5% in the required reserve ratio (RRR) effective 20 May 2008. At the same time, we note that the PBOC also accelerated the pace of the renminbi's appreciation. The currency hit 6.9399 to the US dollar on 26 May 2008, up 0.63% from the level on 23 April 2008. The rise signalled that the renminbi had returned to the trend of strengthening after a break during 23 April to 10 May 2008. The renminbi had appreciated 5.26% as of 29 May 2008 from the level as at end-2007. We reiterate our opinion that it is inevitable for renminbi to make appreciate faster in the foreseeable future.

- On 12 May 2008, an earthquake measuring 8.0 on the Richter scale, struck Sichuan Province. According to the State Council, the earthquake was the most serious one in 60 years, even worse than the one that hit Tangshan in 1976. The authorities have estimated that the death toll from the Sichuan quake will eventually reach 90,000, while the economic loss has been put at over Rmb200bn. Although Sichuan accounts for only 4% or so of the China's gross domestic product (GDP), it makes up for about 6% of the total value-added agricultural output, 5.8% of grain production, and about 11% of pork production. Apart from the material impact, the disaster may also have a strong psychological effect, which may have an adverse affect on the tertiary industry. Our rough estimate is that the quake may reduce China's 2008 GDP growth by 0.4-0.7ppts and may put further pressure on the consumer price index (CPI) because of Sichuan's important role as a major agricultural province.

- The government decided to allocate Rmb70bn for recovery work in the disaster area, while the commercial banks also contributed Rmb100bn to help in the rescue work in the past few weeks. There has been strong debate about the impact of the disaster on the GDP and some economists see it is an important catalyst for economic growth. History shows the government loosens monetary and fiscal policies to stimulate economic growth when there are unexpected incidents, such as the SARS epidemic in 2003. Unlike 2003, the economic scenario is different this time. China was stepping out of deflation in 2003, while it now faces rising inflation. Rising inflation and disasters created a paradox for the policymakers. We note that both Premier Wen Jiabao and PBOC Governor Zhou Xiaochuan have expressed strong concerns over inflationary pressure, which is an important sign that the government will not want to initiate dramatically a loosening policy.

- It is difficult to tell if it is a coincidence that the price of oil surged to US$135 a barrel with China fighting against a disaster. What is certain is that that the current high price of oil is another big challenge for the government. After the price of crude oil reached an all-time high of $135 per barrel, Taiwan, Malaysia and Indonesia announced plans to free prices or cut subsidy costs urgently. The Indonesian Government said it would soon go ahead with a plan to raise fuel prices by an average of 28.7%. For the market, the planned cuts in subsidies and controls will have to be followed with more substantial energy market deregulation. There have been extremely expectations in China that fuel price hikes and even deregulation of retail prices. Theoretically, rises in retail prices will obviously have an adverse impact on demand, which may also be the solution to the soaring price of crude oil.

- The high price of oil and hikes in prices of other commodities is a reflection of the global, in particular the US, loosening monetary policy. This has boosted the stock market, the housing market, the antiques market, commodities market, among other things. "Inflation is like a ground elder — you get rid of it in one place and it just pops up somewhere else." The Chinese Government has tried its best to insulate the global hikes in commodity prices (including surging prices of agricultural products) from the domestic levels. In turn, most global hikes stem from speculation of growing demand from China.

- According to the latest data from the National Bureau of Statistics (NBS), China fiscal revenue and expenditure amount to Rmb5.13trn and Rmb4.95trn, respectively, in 2008. That means China has a fiscal surplus of Rmb173.86bn, which is equal to about 0.7% of the 2008 GDP. China reported a nominal GDP of Rmb24.95trn for 2008. If we take the 3% to GDP as the international standard for fiscal deficits, China will post a fiscal deficit of at least Rmb800bn for 2008, which is much higher than the 2008 fiscal deficit of Rmb300bn that the government announced during the National People's Congress (NPC) this March. This is also the exact reason that the government has continued to delay most of the reforms as they will increase the pressure on the CPI. Our calculations show that the government only needs to pay subsidies of Rmb100bn and Rmb5bn to refineries and independent power producer (IPPs) in 2008, which, we believe, are fully affordable due to the current rich budget.

- However, we are concerned not only that China's expansionary fiscal policy will further increase inflationary pressure according to conventional economic theory, but also deteriorate the income distribution and corporate profit mechanism.

- As result of the earthquake and other economic uncertainties, Chinese stocks suffered their worst one-day decline in more than a month on 21 May 2008, when the Shanghai composite index ended 4.5% lower at 3,443.16 points. Despite some supports from the market, the index further slumped to 3401.44 on 29 May 29 2008 with trading down 50% compared to the daily average in 1Q08.

China Monthly Economic Indicators (2006-2008)

	2006	2007	2008E	May07	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan08	Feb	Mar	Apr
Real economy *(% YoY)*															
GDP*	11.1	11.4	10	-	11.9	-	-	11.5	-	-	11.2	-	-	10.6	-
VAIO (Real)	16.5	18.5		18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8	15.7
-Light industry	17.0	19.6		16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	-	11.8	15.7	12.1
-Heavy industry	15.3	16.3		18.9	20.2	18.9	18.8	20	19.4	18.6	18.4	-	16.9	18.7	17.2
Industrial sales ratio (%)	97.5	98.1		98.00	97.63	98.42	98.52	98.24	98.3	98.06	98.1	-	97.5	98	97.8
FAI* (% YoY)	27.5	25.8	26	25.9	29.7	26.6	26.7	26.4	26.9	26.8	25.8	-	24.27	25.9	25.7
- Property	26	30.2		27.5	35.5	28.9	29.0	30.3	31.4	31.8		-	32.9	32.3	32.1
Retail sales*	13.5	16.8	18.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	-	20.2	21.5	22
External sector															
Exports (US$ bn)	969.1	1218	1386	94.05	103.27	107.74	111.36	112.48	107.72	117.62	114	109.7	87.37	109	118.7
Export growth (% YoY)	27.2	25.7	13.8	28.7	27.01	34.11	22.69	22.8	22.23	22.7	21.6	26.7	16.8	31	21.8
Imports (US$ bn)	791.6	956	1099	71.6	76.36	83.39	86.38	88.57	80.67	91.34	91.7	90.2	78.81	95.6	102
Import growth (% YoY)	20.0	20.8	15	19.1	14.3	26.87	20.02	16.1	25.46	25.25	25.5	27.6	30.9	25	26.3
Trade balance (US$ bn)	177.5	262	287	22.45	26.91	24.36	24.98	23.91	27.05	26.3	22.7	19.5	8.56	13.4	16.7
FDI* (US$ bn)	63.0	74.8	62	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93	9.29	7.6
Money supply *(% YoY)*															
M0	12.65	12.1	13.5	13.91	14.54	15.05	15.04	13.01	13.43	13.56	12.05	31.21	5.96	11.12	10.7
M1	17.48	21	17.7	19.28	20.92	20.94	22.77	22.07	22.21	21.67	21.01	20.72	19.2	18.25	19.05
M2	16.94	16.7	15.5	16.74	17.06	18.48	18.09	18.45	18.47	18.45	16.72	18.94	17.48	16.29	16.94
Deposit rate, 12M (%)	2.25	4.14	4.85	3.06	3.33	3.6	3.87	3.87	3.87	4.14	4.14	4.14	4.14	4.14	4.14
Lending rate, 12M (%)	6.12	7.47	8.01	6.57	6.84	7.02	7.29	7.29	7.29	7.47	7.47	7.47	7.47	7.47	7.47
FX reserves* (US$ bn)	1066.3	1530	1907.9	1292.7	1332.6	1385.2	1408.6	1433.6	1455	1497	1528.2	1590	1647	1682	1756.7
Inflation *(% YoY)*															
National CPI	1.5	4.8	7	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3	8.5

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

Value Added Industrial Output (VAIO)

	2007									2008			
% YoY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
VAIO	17.4	18.1	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8	15.7
Heavy industry	18.3	18.9	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.5	16.9	18.7	17.2
Light Industry	15.4	16.4	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.6	11.8	15.7	12.1

Source: NBS

According to the NBS, China's value-added industrial output (VAIO) grew 15.7% YoY in April, down from the increase of 17.8% YoY in March. For 4M08, VAIO growth slowed to 16.3% YoY from 16.4% YoY in 1Q08 and 18.5% YoY in full-year 2007. Meanwhile, the delivery value of exports rose 15.6% YoY in April, 1.5ppt lower than the increase of 17.1% YoY in 1Q08, and the industrial sales rate declined to 97.8% in April from 98% in March.

Breaking down the sectors, the VAIO of textiles rose 12.2% YoY in April, down from 14.9% YoY in March and 16.2% YoY for full-year 2007. Meanwhile, output of raw chemical materials and smelting of ferrous metals climbed 15% YoY and 14.5% YoY, respectively, declining from the corresponding increases of 15.6% YoY and 15.8% YoY in March. However, industrial output of the machinery sector grew steadily. In April, the VAIO of ordinary machinery climbed 21.4% YoY, output of transport equipment rose 22.5% YoY, and that of electric machinery and equipment went up 21.3% YoY, compared to the respective increases of 21.8% YoY, 22.7% YoY and 22.9.YoY in March.

As the effect of domestic macro-controls and external downside risks intensify and the impact of the Sichuan earthquake becomes known, VAIO growth is likely to decelerate further in the next two months.

Fixed Asset Investments (FAI)

	2007											2008		
% YTD	Jan-Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Mar	Apr
Total FAI	-	23.7	-	-	27.8	-	-	25.7	-	-	24.8	-	24.6	
Urban FAI	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	25.74
Urban FAI / Total FAI, %	-	83.0	-	-	85	-	-	85.5	-	-	85.6	-	83.9	
- Primary Industry	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	71.6
- Secondary Industry	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	25.9
- Tertiary Industry	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	24.9
- Property	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	32.1

Source: NBS

NBS data shows that China's urban Fixed Asset Investment (FAI) grew 25.7% YoY in 4M08, down slightly from the increases of 25.9% YoY in 1Q08 and 25.8% YoY in full-year 2007. In April, FAI growth decelerated to 25.4% YoY from 27.3% YoY in March. In fact, the large leap in FAI growth in March was mainly due to a rebound from the usual drop during the spring festival.

FAI in the primary industry jumped 71.6% YoY in 4M08, down from the increase of 80.8% YoY in 1Q08. In April, the FAI in the primary sector rose about 44.0% YoY, 13.0ppts higher than the increase of 31.0% YoY in full-year 2007. The high growth of FAI at the beginning of the year was mainly because of the reconstruction after the snowstorms that hit in South China and the government's support for agricultural production. For the secondary and tertiary industries, the FAI edged up 25.9% YoY and 24.9% YoY, respectively, in 4M08, compared to the corresponding increases of 25.9% YoY and 25.3% YoY in 1Q08. In a breakdown of industries, FAI in coal mining jumped 47.0% YoY in 4M08, up from the 41.7% YoY rise in 1Q08. Meanwhile, FAI in oil and gas mining grew 14.5% YoY after rising 14.8% YoY in 1Q08, and that in mining, smelting and pressing of ferrous metals decelerated to 25.3% YoY from 26% YoY in 1Q08. For mining, smelting and pressing nonferrous metals, FAI growth slowed to 40.8% YoY in 4M08 from 43.7% YoY in 1Q08. For the property sector, the FAI grew 32.1% YoY in 4M08, down slightly from the increase of 32.3% YoY in 1Q08 and 32.2% YoY in full-year 2007, but was still 4.7ppts higher than the rise of 27.4% YoY in 4M07.

We expect FAI to sustain growth in the coming months, albeit at a slower pace. In addition to reconstruction after Monday's earthquake in Sichuan Province, the central government will increase investments in industries facing bottlenecks. Among such industries are power, coal and oil mining, transportation.

Retail Sales

	2007									2008		
% YoY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Mar	Apr
Retail sales	15.5	15.9	16.0	16.4	17.1	17.0	18.1	18.8	20.2	20.2	21.5	22
Urban	16.0	16.3	16.5	16.7	17.6	17.5	18.6	19.2	20.5	20.8	22.1	22.9
Rural	14.6	15.0	14.2	15.8	16.1	16.09	17.1	18.0	19.6	18.9	20.2	20.1
Cars	38.6	34.2	33.0	42.7	42.3	38.1	36.1	35.0	31.4	33.8	43.9	25.7

Source: NBS

According to the NBS, China's retail sales grew 22.0% YoY in April, up from 20.6% YoY in 1Q08, the highest level since 2H05. For urban and rural areas, sales rose 22.9% YoY and 20.1% YoY in April, respectively, versus the corresponding increases of 21.2% YoY and 19.3% YoY in 1Q08. However, the pick-up in retail sales in recent months was closely related to higher inflation. If we deduct the price factor, the real-term growth of retail sales came in at 12.4% YoY in April, steady compared to the monthly average sales growths in 2006 and 2007(our calculation is 12.52% YoY in average).

Breaking down the segments, retail sales of grain and oil grew 36.3% YoY in April, slightly down from 38.1% YoY in 1Q08. Meanwhile, sales of meat, poultry and eggs surged 30.8% YoY, that of clothing ,shoes, hats and textiles rose 29.7% YoY and that of daily used goods climbed 21.5% YoY, compared to the increases of 31.3% YoY, 24.3% YoY and 19.5% YoY, respectively, in 1Q08. Due to a large leap in the price, sales of petroleum and related products jumped 45.4% YoY in April, 2.9ppts higher than the 42.5% YoY rise in 1Q08. At the same time, retail sales of furniture and household appliances picked up 37.2% YoY and 27.2% YoY in April, 3.9ppts and 4.7ppts higher than corresponding increases in 1Q08. However, growths of retail sales for communications and automobiles decelerated to 0.5% YoY and 25.7% YoY in April, from 3.7% YoY and 37.1% YoY, respectively, in 1Q08..

Foreign Trade

	2007										2008			
% YoY	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Export	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	21.8
Import	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	26.3
Trade balance (US$ bn)	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	16.7

Source: NBS

According to the State Administration of Customs (SAC), China's exports rose 21.8% YoY in April, slightly up from 21.4% YoY in 1Q08, but still 5ppts lower than the increase of 27.9% YoY in 1Q07. Meanwhile, imports picked up 26.3% YoY in April, down from 28.6% YoY in 1Q08, but much higher than 20.8% YoY in 12M07. At the same time, the trade surplus increased to US$16.7bn in April from US$13.4bn in March and US$8.56bn in February.

Breaking down commodities, exports of garments grew 11.7% YoY in 4M08, down from 14.7% YoY in 1Q08 and 15.2% YoY in 4Q07. Meanwhile, that of footwear surged 11.6% YoY in 4M08, slightly up from 11.2% YoY in 1Q08, but still 2.2ppts lower than 13.8% YoY in 4Q07. For steel products, exports decreased by 23.9% YoY in 4M08, compared to increases of 7.67% YoY in 1Q08 and 153.9% YoY in 1Q07. However, exports of mechanical and electrical equipment registered a steady growth of 24.3% YoY in 4M08, 1.2ppt higher than 23.1% YoY in 1Q08. At the same time, exports of high-technology products increased 19.8% YoY, down from 24.7% YoY in 1Q08 and 20.8% YoY in 4Q07.

The SAC data showed that the pick-up of China's imports in recent months was partly due to the hikes of prices. According to the SAC, the unit value index of imports jumped about 14% in 1Q08, while that of exports rose 8% YoY. If we deduct the price factor, growths of China's exports quantum and imports quantum remained 12.3% YoY and 12.6% YoY in 1Q08, versus the corresponding average increases of 21% YoY and 12.8% YoY in 2007. In 4M08, imports of iron ore and crude oil grew 15.2% YoY and 9.8% YoY, respectively, in quantity, versus the corresponding increase of 10.5% YoY and 14.8% YoY in 1Q08. Meanwhile, imports quantum of soybean surged 21.5% YoY in 4M08, down obviously from 36% YoY in 1Q08 and 29.7% YoY in 4Q07. For motor vehicles, imports quantity rose 70.1% YoY in 4M08, compared to increases of 74.7% YoY in 1Q08 and 42.9% YoY in 4Q07.

Foreign Direct Investment (FDI)

	2007									2008			
% YoY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual FDI	5.4	8.65	21.9	17.8	11.87	(2.36)	13.18	35.04	50.5	109.8	38.31	50.3	70.1
US$ bn	4.47	4.90	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93	9.3	7.6

Source: NBS

According to the Ministry of Commerce (MOC), China's actual Foreign Direct Investment (FDI) jumped 70.1% YoY in April, up from 50.3% YoY in March and 53% YoY in February. The utilised FDI was US$7.6bn in April, versus US$9.3bn in March and US$6.93bn in February. For 4M08, the actual FDI surged 72% YoY to US$35.02bn, slightly down from 72.5% YoY in 1Q08. Our calculations show that FDI capital inflows accounted for about 18% of the total forex increase in 1Q08, while the non-FDI capital flows was responsible for 55%, 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

	2007									2008			
% YoY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
CPI	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.90	6.50	7.1	8.7	8.3	8.5
- Food	7.1	7.7	11.3	15.4	18.2	16.9	17.6	18.2	16.7	18.2	23.3	21.4	22.1
- Clothing	(0.2)	(0.1)	(0.30)	(0.6)	(0.9)	(1.0)	(1.3)	(1.4)	(1.7)	(1.9)	(1.4)	(1.2)	(1.4)
- Trans.& comm.	(0.2)	(0.5)	(1.1)	(1.3)	(1.3)	(1.4)	(1.7)	(1.4)	(1.4)	(1.1)	(1.4)	(1.7)	(1.7)
- Residences	4.2	4.0	4.4	4.4	4.3	4.2	4.8	6.0	5.9	6.1	6.6	7	6.8
- Medical segment	1.5	1.6	1.9	2.2	2.3	2.6	2.9	3.1	3.2	3.2	3.2	3.7	3.6

Source: NBS

According to the NBS, China's CPI grew 8.5% YoY in April, slightly up from 8.3% YoY in March, which was higher than the market expectation. The rebound of CPI growth in April was mainly due to consecutive hikes of food prices.

China saw consecutive hikes of food prices since the second half of 2007, which contributed directly to the high growth of CPI in recent months. In April, food prices rose 22.1% YoY, up from 21.4% YoY in March. Breaking down food items, prices of meat and poultry surged 47.9% YoY in April, up from 45.8% YoY in March and 45.3% YoY in February, while that of pork hit the new record high growth of 68.3% YoY in April, 1.6ppt higher than increase of 66.7% YoY in March. At the same time, prices of oil and fat, eggs, fresh vegetables edged up 47.9% YoY, 5.1% YoY and 13.6% YoY in April, versus the corresponding increase of 45.8% YoY, 4.9% YoY and 22.7% YoY in March. For grain, the price jumped 7.4% YoY in April, 0.6ppt higher than 6.8% YoY in March.

As food prices picked up, non-food items saw similar upward pressure. Prices of non-food products rose 1.8% YoY in April, the same level as in March. The growth of non-food price has accelerated since the end last year, which reflects the spread of inflation from food items to other sectors. The service price surged 1.7% YoY in April, slightly down from 1.8% YoY in March and 2% YoY in February, mainly because of the government's price control policies. At the same time, price of house facility, article and maintenance service edged up 2.7% YoY, that of medicine and care service surged 3.6% YoY, and residence price jumped 6.8% YoY, compared to the corresponding growths of 2.5% YoY, 3.7% YoY and 7% YoY in March. However, prices of clothing, transportation and communication, and articles of recreation, education and culture continued a decline trend, with the decreases of 1.4% YoY, 1.7% YoY and 0.5% YoY, respectively.

Inflation / Deflation

	2007									2008			
% YoY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
EFPI	2.9	2.8	2.5	2.4	2.6	2.7	3.2	4.6	5.4	6.1	6.6	8	8.1
PPI	3.7	3.6	2.5	3.6	3.8	3.6	4.5	6.3	8.1	8.9	9.7	11	11.8
CPI	3.0	3.4	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3	8.5
Crude oil	(4.3)	(3.9)	(6.6)	(5.1)	(2.2)	(3.9)	4.2	22.6	34.6	29.9	37.5	37.9	37.9

Source: NBS

According to the NBS, China's Ex-factory Price Index (EFPI) for manufactured goods grew 8.1% YoY in April, up from increase of 8% YoY in March and 6.6% YoY in February. Meanwhile, the Purchasing Price Index (PPI) for raw materials, fuels and power jumped to 11.8% YoY, 0.8ppt higher than 11% YoY in March and 2.1ppts higher than in February.

Breaking down the sectors, the EFPI for crude oil rose 37.9% YoY in April, the same level as in March. Meanwhile, the price of the coal-mining sector surged 20.9% YoY in April, down from the record high increase of 26% YoY in March, while prices for smelting and pressing of ferrous metals jumped 24.8% YoY in April, compared to rise of 21.2% YoY in March and 17.9% YoY in February. For nonferrous metals, the EFPI climbed 4.7% YoY, down from 10% YoY in March.

We are concerned that the pick-up of grain price and consecutive hikes of food prices will intensify inflationary pressure in the future. Besides, the rising EFPI and PPI will also put plenty of pressure on the future CPI growth.

Monetary Performance

	2007									2008			
% YoY	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
M0	15.1	13.9	14.5	14.5	15.0	13.0	13.0	13. 6	12.1	31.21	5.96	11.12	10.7
M1	20.0	19.3	20.9	20.9	22.8	22.1	22.1	21.7	21.0	20.72	19.2	18.25	19.05
M2	17.1	16.7	17.1	17.1	18.1	18.5	18.5	18.5	16.72	18.94	17.48	16.29	16.94
Loan / deposit	69.3	68.4	69.3	69.3	67.9	67.6	67.6	67.8	67.2	68.9	67.2	65.16	66.22
M1/M2, %	36.7	35.2	36.0	36.0	36.4	36.3	36.3	37.1	37.8	37.1	35.7	35.67	35.345

Source: NBS

According to the PBOC, renminbi lending grew 14.70% YoY in April, down from 14.74% YoY in March and 15.73% YoY in February. Meanwhile, deposits rose 17.69% YoY in April, versus the increases of 17.35% YoY in March and 17.21% YoY in February. Mainly due to the faster rise in deposits, there was a slight pick-up monetary supply growth. In April 2008, supply of M0 rose 10.70% YoY, while that of M1 surged 19.05% YoY and that of M2 climbed 16.94% YoY, versus the corresponding increases of 11.1% YoY, 18.3% YoY and 16.3% YoY in March 2008.

PBOC statistics showed that the incremental renminbi lending in April amounted to Rmb463.9bn, Rmb87bn more than that in April 2007. Of the total renminbi lending, 15.6% was to households, much lower than the 32.5% for full-year 2007 and 32.8% for March. Incremental lending to non-financial corporations and others reached Rmb391.5bn in April, Rmb93.1bn more than that in the same month last year. Mainly as a result of the correction of the stock markets, the growth of household deposits has accelerated since last November. In April, total incremental deposits grew 46.60% YoY to Rmb650.9bn. Specifically, incremental savings deposits amounted to Rmb99.2bn to account for 15.20% of the total incremental deposits. Meanwhile, incremental corporate and fiscal deposits came in at Rmb262.4bn and Rmb269bn, respectively, in April, down from the corresponding increases of Rmb280.7bn and Rmb291bn in April 2007.

Totally contrary to renminbi lending, the foreign-currency loans grew robustly in recent months. Incremental foreign-currency lending jumped 40% YoY to US$2.1bn in April, while the outstanding foreign exchange lending reached US$270.9bn as at end-April, representing growth of 56.76% YoY for 4M08. During 4M08, incremental renminbi loans fell by Rmb47.2bn, while incremental forex loans surged US$46.8bn compared to the level in the same period of last year.

Information from the PBOC indicates that the total lending actually grew 16.13% YoY in 4M08, a little bit slower than the rise of 16.23% YoY in 1Q08, but still higher than 16.0% YoY increase in 4M07. In a recent speech of PBOC Governor Zhou said that the central bank had given greater priority to fighting rising inflation in the country. If the PBOC makes fighting inflation its top priority, it is difficult to see any further loosening of the tightening policy in the near term, based on the current monetary performance.

Policy Highlights

- **State Council holds executive meeting on economy.** China's State Council held an executive meeting on 21 May to discuss relief work in earthquake-stricken areas in Sichuan and draw up plans for reconstruction work in the near future. Top government officials at the meeting also commented on the current economic situation in the country. Premier Wen Jiabao said: "The earthquake has severely damaged the local economy and added new uncertainty to the overall economy." He added that the government was setting up a relief fund of Rmb70bn for reconstruction work. At the same time, government departments were told to cut general spending by 5% to save money for the reconstruction work and the authorities would also freeze approvals for new office buildings for government bodies. The meeting also put the emphasis on the primary economic task of easing inflation.

- **PBOC raises RRR to 16.5%.** The PBOC announced that the RRR of commercial banks on the mainland would go up 0.5ppts to 16.5%, effective 20 May 2008. The move froze about Rmb200bn of liquidity in the banking system. This was the fourth RRR hike in 2008 and the 14th since the beginning of 2007 and the 16th since the start of the new round of tightening in April 2006. The PBOC made the announcement following the release of the April CPI data by the NBS. The CPI grew 8.5% YoY in April, higher than 8.3% YoY rise in March and within market expectations. We believe that the PBOC's move suggests that the regulator is more concerned about the current inflation situation. In order to fight inflation, the PBOC will maintain a relative faster appreciation of the renminbi in the near term. In addition, some mild interest rate hikes, particular that of the deposits rate will also be adopted as complementary action. At the same time, it is important for PBOC to continue to use the RRR hike, sterilisation operations, as well as administrative measures to control further lending growth.

- **CSRC says to curb over-speculation during IPOs.** The China Securities Regulatory Commission (CSRC) pledged to curb the excessive speculation in share sales during initial public offerings (IPOs). CSRC chairman Shang Fulin said that further steps would be taken to improve the IPO price bidding mechanism and rationally allot proportions of IPO issues for on-line and off-line subscriptions. Current rules on IPO share sales have long been under attack, as institutional investors can place orders for both on-line and off-line proportions, while individual investors are limited to on-line subscriptions. IPO share sales are often hundreds of times oversubscribed in China, as investors rush to cash in on the certain gains on stock debuts. The CSRC also wanted to optimise the structure of the capital market by allowing more listings of local blue chips and high-growth enterprises, Shang told an internal meeting. He vowed to simplify the reviewing process of corporate bonds issue applications and allow more mutual funds of institutional investors to invest in the bonds market. The CSRC would also allow insurance companies and commercial banks to make direct investments in the corporate bonds market, he added.

- **Commercial banks ordered to provide financial support to quake regions.** The PBOC and the CBRC jointly issued a statement on 19 May on financial support for quake-stricken regions. According to the statement, commercial banks were ordered to provide financial support, including extension of loan maturities, for relief and reconstruction in quake-ravaged regions. Banks were encouraged not to push for loan repayments if debtors in the quake-hit regions fell behind. Giving full consideration to the difficulties of survivors and businesses, the lenders were also told not to levy fines for defaults or add default notices to borrowers' credit records. The PBOC has allowed banks in six hard-hit cities in Sichuan to hold their RRRs steady, despite raising it to a record high 16.5% for banks elsewhere. Lenders were ordered to set up temporary outlets near shelters and ensure the billions in donations and relief funds reached the quake regions in a timely manner.

- **Telecom restructuring restarts.** The Ministry of Industry and Information Technology, the NDRC and the Ministry of Finance (MoF) jointly issued a statement on 24 May encouraging China Telecom to buy China Unicom's code-division multiple access (CDMA) network and Unicom to incorporate into China Netcom. The much-awaited overhaul of the telecom industry started on 23 May when China Mobile Communications Corp (CMCC), parent of Hong Kong-listed China Mobile Ltd, said in an announcement that it would acquire fixed-line operator China Tie tong Telecommunications Corp and disclosed a slew of personnel changes.

- **NDRC calls for replacement of traditional incandescent lamps.** The NDRC published a circular on 9 May to order provincial governments to replace 50m traditional incandescent lamps with heavily-subsidised energy-efficient lights this year. In the circular, the NDRC set a 3m target for each of the following provincial areas: Hebei, Shanxi, Jiangsu, Zhejiang, Shandong, Henan and Guangdong. Beijing, Jilin, Heilongjiang, Fujian, Jiangxi, Guizhou and Xinjiang Autonomous Region each have targets of 2m. The move is part of a campaign to promote the use of 150m energy-efficient light bulbs over the five years through 2010, that the MoF and NDRC launched in January. The government will offer subsidies of 30% on wholesale purchases and 50% on retail ones.

- **China to cut duties on imports of some items.** The MoF announced that it would cut import duties on 26 types of goods, such as frozen pork, blood albumin, human vaccine and cotton. According to the announcement, the import duty on frozen pork will be reduced to 6% from 12% for the period from 1 June to 31 December 2008. For codfish, pistachio nuts, foods for infants, milk serum and yeast, import duties will be cut from between 6% to 25% to between 2% to 10%. During the same period, import duties on feedstuffs, such as groundnut meal and soybean meal, will be reduced from 5% to 2%, and the 3% rate for four types of medicines, including blood albumin and human vaccine, will be abolished. Meanwhile, import duties on coconut oil and olive oil will be cut from 10% and 9%, respectively, to 5% each during 1 June-30 September 2008. Sliding duties on cotton imports will be reduced from 5-40% to 3-40% during 5 June-5h October 2008, and restored to original level thereafter. The policy change also involves a temporary 0% import duty on rectangular-cut marble and travertine, and some adjustment to temporary duties on cassette video recorders. The adjustments are aimed at increasing domestic supply of some less-produced goods, especially those that people in quake-stricken regions need.

- **Customs officials nab illegal exports.** Customs authorities have stepped up efforts to block illegal grain exports by traders hoping to cash in on high international prices. As international rice and wheat prices had surged to historical highs, cases of grain smuggling had become more common, customs officials said. The authorities launched a series of export restrictions late last year. In December 2007, the authorities abolished export tax rebates for wheat, rice, corn and soybeans. At the beginning of this year, they began to levy a 5.25% provisional export tariff on 57 food stuffs, including wheat, corn, rice and soybeans. In late January, the Ministry of Commerce (MoC) announced that grain exporters would be given export quotas before signing new foreign export contracts this year. To promote agricultural production and ensure food security and market stability, the MoC recently issued a notice requiring local departments to strengthen supervision of the circulation of agricultural products and materials. The ministry urged local government organisations to continue strengthening the reserves of important agricultural products, including meat and edible oil.

- **NDRC set up minimum price system for wheat.** The NDRC issued a circular on 19 May on a minimum price system for wheat. According to the circular, the minimum purchase price for white wheat is Rmb1.54/kg and that of red and mixed wheat is Rmb1.44/kg. The minimum price system will cover Hebei, Jiangsu, Anhui, Shandong, Henan and Hubei. The system will be effective from 21 May to 30 September in 2008. During this period, if the market price of wheat declines below the minimum price, the National Grain Reserves Corp and local reserve companies will have to purchase wheat from farmers at the minimum price. The system will stabilise the wheat price and increase official grain reserves.

- **Draft implementation regulations for labour law issued.** On 8 May, the Legislative Affairs Office of the State Council issued a draft on the labour contract law to solicit public opinions. The draft mainly addresses the terms of labour contracts and compensation on termination and dispatch of labourers. The Labour Contract Law, which took effect on 1 January 2008, entitles employees of at least 10 years' standing to sign labour contracts with no fixed termination date. Meanwhile, a labour contract with no fixed termination date did not amount to lifetime work. Termination of such contract is possible if there are legitimate reasons. The draft stipulates that, under circumstances including employee's incompetence to live up to job requirements during the trial use period, serious violation of regulations and duty dereliction, an employer can terminate the contract with no fixed date. Bankruptcy will also justify the termination of a contract, according to the draft. The draft stipulates that the employer will have to double the compensation if it terminates the contract at its own will.

AUTOMOTIVE

HK listed – Outperform

A shares – Outperform

- Domestic passenger car sales in April 2008 rose 11% YoY 604,920 units.
- In 4M08, domestic passenger car sales surged 18% YoY to 2.456m 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-tractors jumped 45% YoY and 65 YoY, respectively, in April 2008. Large buses sales rose 20% YoY in 4M08.
- We expect sales growth of heavy-duty trucks and semi-tractors to decelerate in 2H08 due to China's enforcement of Euro III emission standards.
- China's 20 key automobile manufacturing groups collectively registered profit growth of 44% YoY to Rmb19.72bn for 1Q08.

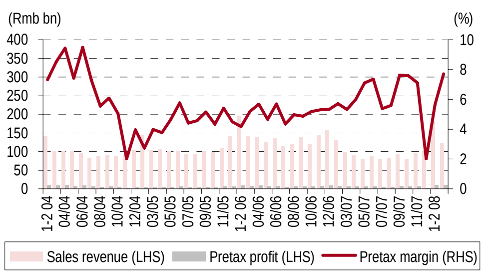
FAW Car (000800.SZ/Rmb14.60) — Marketperform

FAW Car has almost stopped production of own brand of *Redflag* series of vehicles due to poor performance in the past few months. It shifted its product mix to Mazda 6 and FAW-Benteng. In 4M08, the company saw its sales of Benteng surge 196% YoY to 14,800 units, and those of Mazda6 jump 45% YoY to 23,593 units. We conservatively estimate that, in 2008, FAW Car will sell 68,000 Mazda 6 cars and 42,000 Benteng cars. We also believe that, before end-2008, the company will; launch new models of Mazda 6 and Benteng B50, which may be growth drivers for 2009. We also think it is possible that FAW Car will acquire quality assets from parent FAW (Group) Corp or benefit from the latter's future listing. However, its valuation is not cheap.

Ningbo Huaxiang (002048.SZ/Rmb13.68) — Outperform

Huaxiang's 49%-owned Fawer has nine wholly owned subsidiaries, which deal in heavy-duty commercial vehicles that the FAW Group produces. Fawer has also 19 Sino-foreign joint ventures (JVs), which develop various metallic components for passenger vehicles. Fawer is undergoing a corporate restructuring and will get rid of three low profitability JVs. We believe Fawer will try to tighten control on the costs of the nine subsidiaries and still have hopes to expand the business of branches that manufacture radiators, drivelines, pumps and shock absorbers. For the JV, we believe the TRW Fawer Auto Safety System, Fawer Denso Air-conditioner and FAW Tokico Shock Absorber will see fast growth and be the major drivers of Fawer's earnings.

Operating Performance of the Auto Industry



Source: China Automotive Industry Newsletter

Key Statistics

% YoY	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
Trucks	14	19	15	9	(1)	22	27	27	20
Heavy	20	44	20	28	25	52	77	70	45
Semi-tractor	64	92	20	41	22	26	39	63	65
Medium	4	17	15	4	(11)	(9)	2	18	7
Light	11	16	15	12	3	30	25	21	17
Mini	25	8	9	(0)	(15)	(1)	15	15	13
Buses	7	21	15	41	32	8	11	3	1
Large	9	27	22	6	40	47	(20)	10	28
Medium	4	14	12	23	18	2	22	4	(8)
Light	8	23	15	55	36	4	13	2	1
Passenger cars	30	22	20	17	12	20	17	24	11
Sedan	37	23	22	17	15	21	20	26	8
MPV	23	18	18	24	(4)	(7)	13	7	(1)
SUV	21	50	22	76	44	33	47	48	38
Minivan	10	8	9	(0)	(3)	17	1	11	18
Total	25	22	19	16	11	20	19	25	14

Sources: China Automotive Industry Newsletter, BOCI Research estimates

CHEMICALS

HK listed – Underperform
A shares – Outperform

- We attended the 2008 China Fertiliser Industry Summit on 12 May 2008 at Yantai City in Shandong Province. Experts in the domestic fertiliser industry believe the recent rise in fertiliser prices is mainly due to the impact of the overseas market. Rising crude oil prices not only increased the production cost of fertilisers, such as urea, phosphate and potash, but also drove up demand of crops to make ethanol. As a result, global demand for fertilisers has surged in recent years. In addition, monopolies in the supply of potash and sulphur have further driven up global fertiliser prices. As much is exported, domestic fertiliser prices have remained relatively on par with those overseas.

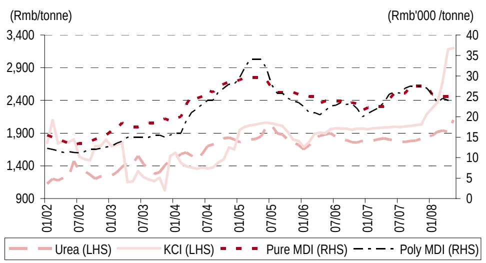
Hubei Shuanghuan Sci & Tech Stock (000707.SZ/Rmb14.17) — Outperform

Hubei Shuanghuan, headquartered at Yingcheng in Hubei Province, is a leader in China's soda ash industry. Its main products are soda ash and ammonium chloride. With a current output of 600,000 tonnes per annum (tpa) capacity, it is the largest soda ash manufacturing company using the ammonia-soda process in China, with a market share of about 4%. We expect the Shuanghuan's net profit for 2008 to surge 286% YoY to Rmb366m on revenue growth of 66% YoY to Rmb2,162m. The earnings surge will be primarily due to price hikes and increased sales volume for its main products. We have initiated coverage on the stock with an ***Outperform*** call and set a target price of Rmb18.17, equal to 23x 2008 P/E and based on our EPS estimation of Rmb0.79.

Sichuan Meifeng (000731.SZ/Rmb11.00) — Marketperform

Sichuan Meifeng announced that its urea plants in Deyang City and Mianyang City of Sichuan Province had resumed production on 25 May after being interrupted for 13 days due to the earthquake. The company said its utilisation rate had now risen due to the replenished supply of natural gas, and it would try to increase production of urea in the next couple of months to make up for lost time. Given the higher utilisation rate of equipment and the relatively short interruption, we believe the earthquake's impact on Sichuan Meifeng is limited. We reiterate our ***Marketperform*** call on the stock.

Product Prices



Source: China Petroleum & Chemical Industry Association

Key Statistics

% YoY	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
Output									
Urea	13.3	11.5	10.5	11.6	4.3	5.5	1.9	5.4	10.7
Potash	18.5	10.6	12.0	63.3	(70.0)	30.0	15.0	30.9	18.6
PVC	23.3	20.0	15.0	17.5	17.9	18.6	13.4	1.3	11.7
Nitric Acid	12.6	13.1	10.0	(3.0)	(6.5)	3.5	(2.2)	15.3	14.1
Price	% YoY			% MoM					
Urea	(2.4)	0.1	3.5	1.4	3.3	(0.1)	3.2	1.0	9.4
KCl	7.4	5.4	10.0	4.4	7.9	5.0	3.9	13.0	0.6
Nitric Acid	0.4	1.8	2.8	0.4	10.8	5.9	(10.0)	1.2	5.9
Pure MDI	(14.0)	5.5	(3.5)	0.0	0.0	0.0	(1.0)	0.0	0.0
Poly MDI	(24.0)	14.3	(5.5)	(0.5)	(3.6)	0.0	(8.0)	(2.0)	(2.0)
PVC	(2.4)	0.1	3.5	1.4	3.3	(0.1)	3.2	1.0	9.4

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 kilolitres (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.

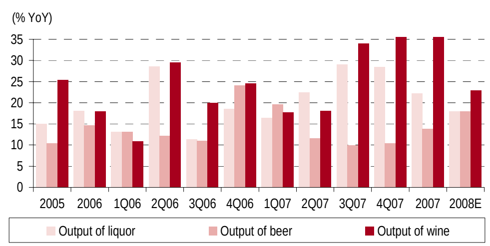
Yanjing Brewery (000729.SZ/Rmb18.11) — Marketperform

Yanjing Brewery announced that it would issue 80m-110m new shares at a price of Rmb17.88 each, a decrease of 14.6% from the previous Rmb20.95. Parent Beijing Yanjing Beer Ltd gave an undertaking to subscribe to more than 50% of the shares, with the remainder to be offered to no more than 10 special institutional investors. The company decreased the issue price based on the stock market environment. The company said it intended to use the proceeds mainly to expand its beer capacity. It will invest about Rmb1.32bn to expand production lines at Guangxi, Hunan, Guangdong, and Zhejiang City, to raise its total capacity 0.98m kl. The remaining Rmb0.47bn will be used to purchase hops and barley. Chinese breweries are in the process of expanding their capacities. Yanjing alone will boost its beer-making capacity from 4m kl for 2007 to 5m kl in 2010. The issuance of 80m-110m new shares will result in a dilution about 8% of the share capital, while the proceeds will bring down the company's debt ratio, and increase its market share in the beer segment. We have partly factored into our earnings forecasts the production capacity expansion in the next three years. We reaffirm our ***Marketperform*** call on the stock.

Sichuan Swellfun (600779.SS/Rmb29.07) — 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 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 revenue. We maintain our estimates that its EPS from the liquor business will amount to Rmb0.85 in 2008, Rmb1.14 in 2009 and Rmb1.45 in 2010, and reaffirm our ***Outperform*** call on the stock.

Output of Beer and Liquor



Sources: China Light Industry Association, BOCI Research

Key Statistics

				2006			2007			2008
(YoY %)	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	34	35	34	33	34	33	29
Liquor	34.8	36.0	37.0	35	34	35	36	36	36	36
Wine	36.7	37.0	37.5	37	35	37	39	36	36	41

Source: China Light Industry Association

CONSUMER – Dairy & Others

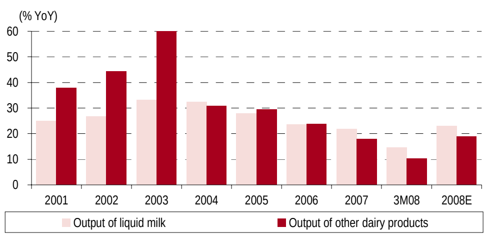
HK listed – Marketperform
A shares – Underperform

- 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.

Yantai North Andre Juice (8259.HK/HK$0.81) — Outperform

Yantai North Andre Juice's 1Q08 earnings grew 297% YoY to Rmb111m. Excluding a fair value gain of Rmb9m on investments, the 1Q08 net profit was up 262% YoY. The results were better than our forecast, as the shipment volume was only 41,000 tonnes (orders from Japan delayed to 2-3Q08 due to the toxic dumpling issue), Andre Juice's 1Q08 profit was more than the 4Q07 figure of Rmb90m (51,000 tonnes shipment). Indeed, we feel the 1Q08 net profit still does not show the true earnings of Andre Juice because there should have been contribution from pectin, but it was still has not in the profit and loss (P&L) account. Meanwhile, the export price of apple juice concentrate (AJC) in China has been consistently increasing over the past few months and we now believe that average selling prices (ASP) will stay high, even though the apple harvest may increase in the new pressing season for 2008/09. We revise up our ASP/tonne assumptions to US$1,740 for 2008, US$1,700 for 2009 and US$1,785 for 2010, and, accordingly, upgrade our earnings forecasts for 2008-10by 11-67%. Based on 15x 2008 P/E, we lift our target price from HK$1.50 to HK$1.80. We reaffirm our ***Outperform*** call on Andre Juice.

Output of Liquid Milk & Other Dairy Products



Sources: China Dairy Yearbook, BOCI Research

Key Statistics

YoY %	06	07	08E	2006 1H	2006 2H	2007 1H	2007 2H	2008 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

- Retailers in Chengdu returned to normal operations. According to Ministry of Commerce, all 10 key department stores and supermarkets under observation in Chengdu, including Wangfujing, Chengshang Group, Pacific, Carrefour, Auchan and METRO, reopened on 24 May. It indicated that sales of some of the supermarkets, which mainly target local consumers, returned to pre-earthquake normalcy.

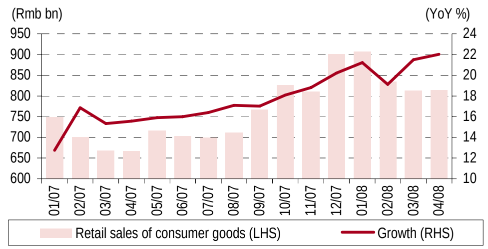
Wangfujing Department Store (600859.SS/Rmb41.81) — Outperform

Wangfujing Department Store (WDS) temporarily closed three stores following the 12 May earthquake in Sichuan Province. The three are the Chengdu store, Chongqing I store and Chongqing II store. The three properties were sound and related employees safe, but were closed due to the urgent rescue operations and market conditions in Chengdu City and Chongqing Municipality. According to the company's 2007 results report, the Chengdu store contributed 33% of its total net profit. We believe negative effect of the quake on WDS will be temporary and its national retail network offers the company solid growth momentum. As such, we maintain our earnings forecasts for WDS and reaffirm our ***Outperform*** rating on it for now as it has yet to release details related to the earthquake.

China Resources Enterprises (0291.HK/HK$25.95) — Underperform⬇

The 1Q08 underlying profit of China Resources Enterprises (CRE) grew 3.8% YoY to HK$516m. Excluding contributions from petroleum and chemical distribution in 1Q07, the underlying profit actually grew 37%, primarily on the rapid growth in the retail and beverage segments. Looking ahead, we are cautious that rising selling prices and the exposure to earthquake-hit Sichuan will hamper growth of the company's beer business. Furthermore, CRE's livestock distribution in Hong Kong continues to face mounting pressures on price and margin, dragging the food and processing segment into downtrend this year. We lower our earnings forecasts by 7-9% for 2008-10 and reduce our target price from HK$26.60 to HK$20.30 based on lower multiples on sum-of-the-parts valuation, and downgrade our rating from Marketperform to ***Underperform***.

Retail Sales of Consumer Goods



Source: CEIC

Key Statistics

Wholesale and retail trades by category of main commodities

YoY %	1H07	1-3Q07	2007	1Q08	Apr08
Grain and oil	33.2	37.0	38.3	38.1	36.3
Meet, poultry and eggs	36.0	40.5	40.9	31.3	30.8
Clothing, shoes, hats and textiles	25.0	24.7	28.7	24.3	29.7
Sport and recreation articles	17.9	21.8	n.a.	21.0	31.7
Household and video appliances	20.7	20.3	23.4	22.5	27.2
Furniture	43.4	38.7	43.2	33.3	37.2
Cosmetics	25.9	25.2	26.3	22.3	20.5
Gold, silver and jewellery	37.5	41.5	41.7	47.5	41.0
Communication appliances	10.9	9.5	n.a.	3.7	0.5
Automobiles	36.7	38.1	36.9	37.1	25.7

Source: NBS

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CONSUMER SVS – Gaming & Hotels

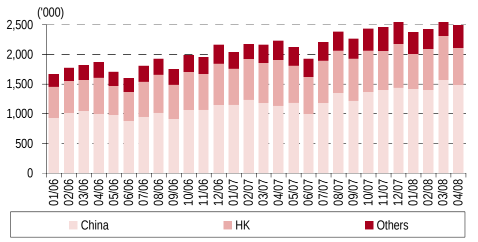
Gaming – Marketperform
Hotels – Marketperform

- Visitor arrivals to Macau in April 2008 grew 11.8% YoY to 2.5m. In 4M08 visitor arrivals rose 16.3% YoY to about 10m. In the same period, visitor arrivals from China grew 24.3% YoY to 5.8m, but those from Hong Kong fell a marginal 2.8% YoY to 2.6m. Growth in visitors from other countries remained strong at 28% YoY.
- Gross revenue from games of fortune in 1Q08 surged 62.0% YoY to MOP29.8bn, with that from VIP baccarats and slot machines surging 73% and 80%, respectively. During the same period, VIP baccarats accounted for 70% of the total revenue, up from 65-68% in the past four quarters.

Melco International (0200.HK/HK$10.12) – Underperform

Melco continued to grab market share in Macau's gaming sector, especially the VIP area. Crown Macau, which operates through Melco's 37.9%-owned Melco PBL Entertainment (MPBL), raked in VIP rolling chips worth HK$151bn in 1Q08, a significant increase from HK$66bn in 4Q08. Its market share in the first two weeks of February was estimated to be 18%, up from only 9% in December 2007. With the gaming promotion agreement between MPBL and AMA, of which Amax Entertainment owns 80%, AMA exclusively promotes VIP business at Crown Macau, while Crown Macau has agreed to pay not more than 1.35% on rolling chip turnover to AMA. AMA provides short-term capital to junkets under collateral agreements. In return, AMA keeps about 0.15% and passes on 1.2% to the junkets. Melco believes that its first-mover advantage is able to pre-empt the competitors from striking similar deals with junkets. However, Galaxy Entertainment and other players have indicated their intention to form similar agreements with the junkets. Besides, Crown Macau is almost running at full capacity and, thus, has no further tables for VIP rollers. Going forward, MPBL's future will still lie in the City of Dreams, a Las Vega style property complex, due to come on line in mid-2009. All in all, we believe the current valuation largely reflects the upside from Crown Macau, but not the keen competition in the City of Dreams in the longer term.

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	20,801
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	7,668
YoY %	12	32	31	35	34	33	36
Total	56,624	18,407	19,567	20,341	24,707	83,022	29,823
YoY %	23	45	50	46	46	47	62

Source: CEIC

ENERGY

HK listed – Outperform
A shares – Outperform

- The price of oil continued to rally in May and hit new record highs on supply concerns. After a brief consolidation at the beginning of the month, the price of ICE Brent surged 20% from US$111/bbl all the way to US$133/bbl before fluctuating at around US$130/bbl towards to the end of the month.
- The discount of the price of Minas (the benchmark for Daqing oil) to that of ICE Brent remained stable at around US$6/bbl throughout May, whereas the discount of the price of Cinta (the benchmark for Shengli oil) to that of ICE Brent widened from US$8.8/bbl to US$11.6/bbl over the same period.
- Coal prices in China reached record high. The median settlement price of Datong high-grade coal surged 14% MoM to Rmb740/tonne whereas that of Shanxi high-grade coal rose 15% MoM to Rmb690/tonne in May. The coal inventory at Qinhuangdao increased 9% MoM to 6.8m tonnes by the end of the month.

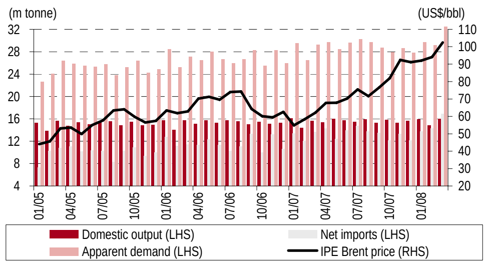
Shenhua Energy (1088.HK/HK$35.20; 601088.SS/Rmb48.52) – Outperform (H); Marketperform (A)

In April 2008, Shenhua's coal output rose 24% YoY to 15m tonnes, whereas its sales volume increased 25% YoY to 15.8m tonnes. For 4M08, Shenhua's coal production increased 21% YoY to 60m tonnes, putting it in a good position to meet our full-year forecast of 177m tonnes. Power generation and power dispatched rose 36% YoY and 35% YoY, respectively, on contributions from new generation units.

Yitai Coal (900948.SS/Rmb48.36) – Underperform

The registered capital of Yitai Coal's 65%-owned Inner Mongolia's Huzhun Railway will be increased from Rmb600m to Rmb1.2bn. The railway needs Rmb1.25bn to upgrade its facilities and resolve potential safety issues and Yitai will contribute Rmb800m. In addition, it plans to take a 9% stake in Mengji Railway, which connects Zhangjiakou in Hebei Province to Jining in Inner Mongolia and then to Baotou. The length of the new railway will be 400km, with total investment expected to reach Rmb18.3bn. The project will be completed in three and a half years. Yitai's total investment is expected to reach Rmb1.65bn. The huge capex will put more pressure on its current gearing of 78%.

Crude Production, Import & Demand



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

Key Statistics

YoY %	07	08E	09E	Oct07	Nov	Dec	Jan08	Feb	Mar
Output									
Crude oil	1.6	1.8	2.1	2.0	1.5	2.8	(1.2)	3.8	0.0
Natural gas	13.8	11.8	10.6	23.0	16.7	9.3	48.9	13.1	28.1
Refining throughput	8.0	6.0	6.0	7.7	6.0	7.8	7.6	9.7	4.3
Coal	6.3	8.4	5.7	8.8	8.5	8.3	3.2	13.5	8.7
Imports									
Crude oil	12.4	7.2	6.9	16.5	0.5	11.4	1.8	18.1	24.8
Price									
IPE Brent (US$/bbl)	72.5	97.8	89.4	81.9	92.5	91.1	92.1	94.1	102.5

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

FINANCIALS (China)

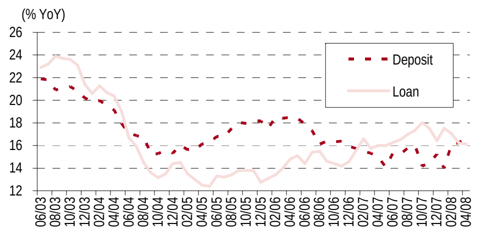
HK listed – Outperform
A shares – Outperform

- While we admitted that earthquake would have a impact on banks' profitability in 2008 as a whole, we believed that the impact is insignificant considering the limited total loan exposure. We calculated that the net losses of whole sector would be about RMb5-13bn, which would reduced the net profit of 2008 by 0.7-1.8%. Since most medium sized banks would have branches in large cities in Sichuan, their market share in Sichuan is about 10%. It is natural that their losses would be very limited. We estimated that Agriculture bank would be most hit in this disaster. But considering it is just doing reform, we believed that government would bear more losses of it. Even the big banks might incur more losses from this earthquake, we think the impact is insignificant as a whole. Besides, the possible rebuild and government help might reduce the losses.

China Merchants Bank (3968.HK/HK$27.95; 600036.SS/Rmb29.66) — Marketperform

We believe China Merchants Bank (CMB) will pay about HK$21bn to buy the Wu family's 53% stake in WLB. The bidding price represents about 3.02x 2008E and 33.5x 2008E P/E. While we do not preclude the long-term benefit for CMB from the acquisition of the WLB stake in terms of the development of its Hong Kong business, we believe it will not increase its value in the short term. The EPS enhancement will be insignificant at Rmb0.05 for 2009, while its net profit may be lifted 2.89%. In view of the possible negative impact of the renminbi's appreciation, the impact on CMB's book value per share will be negative. Besides, we believe that the capital adequacy ratio of CMB will be reduced if it completes the acquisition. In our view, CMB will have to increase its capital through the issuance of debt or other financing instruments.

Loan and Deposit Growth



Source: NBS

Key Statistics

	07	08E	09E	Nov07	Dec	Jan08	Feb	Mar	Apr
New incremental loans (Rmb bn)	3,630	3,630	3,800	87.4	48.5	803.6	243.4	285.6	463.9
Deposit (% YoY)	16.1	14.1	12.8	15.3	16.07	15.1	17.22	17.35	17.69
Lending (% YoY)	16.1	14.7	12.9	17.03	16.1	16.74	15.73	14.78	14.7
7-day inter-bank lending rate (%)	2.1	2.5	3.0	2.28	2.09	2.32	2.65	2.26	2.59
Excess deposit reserve ratio (%)	4.8	2	2.5	n.a	3.3	n.a	n.a	2	n.a
NPLs (%)	6.8	6.5	6.6	n.a	6.2	n.a	n.a	5.78	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.

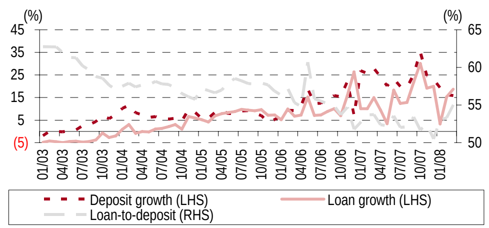
We reiterate our ***Marketperform*** rating on the Hong Kong banking sector as we see healthy loan growth, lower inter-bank rates and benign credit costs. However, uncertainties related to the global economic slowdown and additional write-downs of structured investment vehicles (SIV)/collateralised debt obligation (CDO) are potential risks. In the current market conditions, we prefer banks with high visibility in near-term profit growths and strong capital bases and recommend building positions ahead of the release of 1H08 results in August/September. Accordingly, we prefer BOC Hong Kong, ICBC (Asia), Fubon (Hong Kong), CITIC International Financial, Dah Sing Banking and Dah Sing Financial, in that order. In particular, we expect ICBC (Asia) and Fubon (Hong Kong) to post strong core operating profit growth for 1H08.

Valuation Summary

		Rating		Share price	Target price *(HK$)*	
Name	Stock code	New	Old	*(HK$)*	New	Old
Bank of East Asia	0023.HK	MP	MP	47.60	49.80	49.30
BOCHK	2388.HK	OP	OP	19.90	23.75	23.40
CIFH	0183.HK	OP	OP	5.60	6.20	6.20
Chong Hing Bank	1111.HK	U	OP	20.70	19.80	20.20
Dah Sing Banking	2356.HK	OP	OP	16.24	17.20	18.50
Dah Sing Financial	0440.HK	OP	OP	65.60	66.20	67.00
Fubon HK	0636.HK	OP	U	7.76	8.90	5.10
Hang Seng Bank	0011.HK	U	U	159.7	145.50	143.50
ICBC (Asia)	0349.HK	OP	OP	20.90	25.00	23.90
Wing Hang Bank	0302.HK	MP	MP	116.00	102.80	100.80
Wing Lung Bank	0096.HK	MP	MP	147.40	120.20	120.20

Sources: Company data, BOCI Research estimates

Loan and Deposit Growths



Source: HKMA

Key Statistics

	07	08E	09E	Nov07	Dec	Jan08	Feb	Mar	Apr
Prime	6.85	5.25	5.25	7.10	6.85	6.56	5.75	5.56	5.25
3M HIBOR	3.75	2.00	2.00	3.67	3.75	2.97	2.31	2.06	1.98
Prime - HIBOR	3.10	3.25	3.25	3.43	3.10	3.59	3.44	3.50	3.27
Savings deposit rate	1.35	0.05	0.20	1.6	1.4	1.1	0.3	0.2	0.03
Loan growth (% YoY)	20.00	15.00	12.00	19.1	20.0	19.9	15.3	18.7	
Deposit growth (% YoY)	23.10	15.00	12.50	24.6	23.1	19.3	16.2	15.9	

Sources: HKMA, BOCI Research estimates

FINANCIALS – Insurance

HK listed — Outperform

- Generally speaking, most property and casualty policies stipulate that the insurance companies do not need to pay for losses resulting directly from earthquake, but they do have to pay for claims arising from some indirect losses in such incidents. However, insurance companies may amend the rules pay for losses in earthquakes. Life insurance policies do not exclude earthquake liabilities. So, we believe that most insurers will have to pay death and injury claims. The total premium income in Sichuan last year amounted to about Rmb33.5bn, representing 4.76% of the total for the entire country. The premium income from the quake-hit areas in Sichuan accounted for 62% of the total. Although it is too early to estimate the actual impact on insurance companies, we believe it will be insignificant as the quake hit the relatively poor countryside.

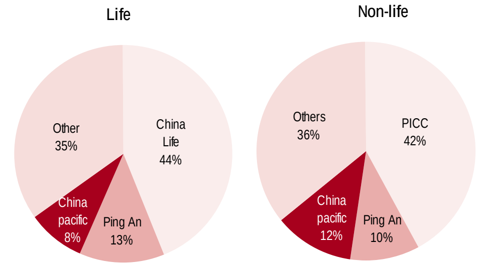
Ping An Insurance (2318.HK/HK$65.55; 601318.SS/Rmb53.91) — Marketperform

Even though Ping An's insurance premium in 4M08 came in lower that that of peers due to the slow growth in bank insurance, we still believe the company will maintain its margin be due to comparatively high growth in products with high profits. Besides, as Ping An will accelerate the sale of unit-linked products, we believe expansion into new products will help its premium income grow in the next few months. Ping An's A shares currently trade at a discount of 13% to our target price. We believe that the A shares are becoming attractive with a further price drop. We suggest investors to buy the stock, if the price drops below Rmb50.00.

China Life Insurance (2628.HK/HK$31.10; 601628.SS/Rmb28.99) — Outperform (H); NR (A)

China Life, whose market share in Sichuan, based on 2006 data, was about 49.2%, must pay for claims of death and injury. Since the death toll remains unclear, it is hard to estimate the final outcome. The company announced that it had about 110,000 in-force policies in the Wenzhuan area. Most policyholders (roughly half of them) are students. The company said that it was hard to estimate the average claims amount. It added that claims may range between Rmb10,000 and Rmb300,000. Our rough estimate is that the company must pay about Rmb400m-600m.

Market Share Breakdown — Apr 2008



Source: CIRC

Insurance Premium Growth

(Rmb bn)	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
Non-life insurance premiums	156	199	239	15	16	29	14	24	23
Life insurance premiums	406	494	618	45	43	76	68	87	59
Total insurance premiums	562	693	856	61	59	106	82	110	82
Growth rate (%)									
Non-life insurance premiums	22	28	20	27	33	31	29	25	22
Life insurance premiums	12	22	25	20	21	67	69	61	62
Total insurance premiums	14	23	24	22	25	55	58	52	50

Sources: Bloomberg, Company data, BOCI Research estimates

MEDIA

HK listed – Outperform
A listed – Underperform

- The Chinese business magazine Caijing has reported that a number of Shanghai media companies are seeking IPOs in the domestic market. These include Century Publishing (a book publisher), First Business News Channel (a business TV channel of Oriental TV Station), the ToonMax Channel (a premium TV channel of cartoons, part of the Shanghai Media Group), and eastday.com (a joint venture Shanghai city portal invested by SMG and Oriental Pearl Group, among others.

Next Media (0282.HK/HK$3.34) — Outperform

Following Next Media's much better-than-expected results due to buoyant revenue growth and stricter cost controls, we tentatively raise our 2008profit forecast by 11% to HK$587m (EPS: HK$0.243). Using 17x our 12-month forward P/E, which is slightly below the average 18.5x that the stock has commanded since 2004, we raise our target price to HK$4.10 from HK$3.45. We reaffirm our ***Outperform*** call.

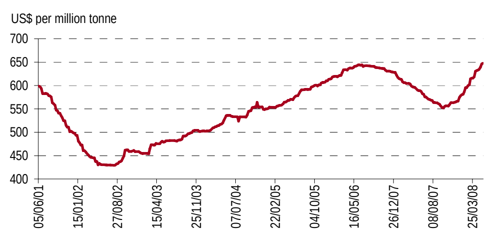
Sichuan Xinhua Winshare (0811.HK/HK$3.02) — Outperform

In the wake of the Sichuan earthquake, Winshare has announced that two of its nearly 200 outlets had collapsed, but about 150 have been operating normally. The company also estimates that the earthquake's impact on its revenue is likely to be mild at about 1% or so. We have conservatively lowered our recurrent profit forecast by 1% and expect an exceptional loss of some Rmb30m arising from asset and inventory write-downs. We reaffirm our ***Outperform*** call on Winshare.

TVB (0511.HK/HK$50.00) — Outperform

TVB announced that it was not engaged in any M&A negotiations, but confirmed that the ultimate controlling shareholder, Shaw Holdings, is negotiating for the sale of its 75% stake in Shaw Brothers, which holds a 26% stake in TVB. We reaffirm our ***Outperform*** call on TVB.

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

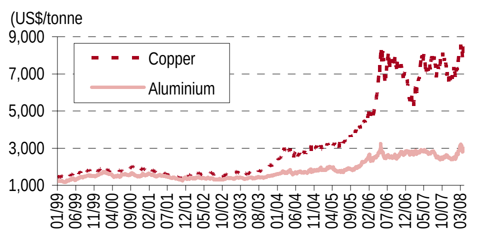
HK listed – Outperform
A shares – Outperform

- The post-earthquake reconstruction activity is positive for construction materials, long steel products. However, there are concerns that government has put pressure against rising steel prices as Baoshan Iron & Steel (Baosteel) has delayed its 3Q08 order price announcement. We believe that post-reconstruction work could last for years, and the near-term pressure against price increases is only temporary.
- Despite the lukewarm stock market, Sino Gold announced that it would raise up to A$204m (HK$1.53bn) through a share placement. The proceeds will be used to finance acquisitions and settle its gold forward contacts, a move which, we believe, is positive for the future earnings as the company can fully benefit from the rising price of gold price. Panzhihua New Steel also announced an issuance of 749 new shares to buy assets worth Rmb9,172m from the parent through a share swap.
- The price of nickel fell to US$24,000/tonne on looming oversupply in mainland stainless steel. We believe the current price has hit a trough as producers of the cheap substitute are barely breaking even. Having said that, we do not see catalysts for a near-term rebound. The current low price is an overhang on nickel stocks.

Chongqing Iron & Steel (1053.HK/HK$3.85; 601005.SS/Rmb7.84) — Outperform

We favour Chongqing Iron and Steel (CIS) on its sales volume expansion and on the strong price for steel plates, which are mostly used in shipbuilding. The company 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 2H09 and commence commercial output at the end of next year

3-month Futures Aluminium and Copper



Source: LME

Key Statistics

(% YoY)	06	07	08E	Dec07	Jan08	Feb	Mar	Apr	May
Quick speed wire rod	(5)	15	20	45.3	38.7	43.4	51.3	53.5	53.5
Ord. Plate -40mm	(12)	17	20	36.5	32.0	35.8	43.4	48.1	55.6
Cold-rolled sheet	(10)	10	15	25	20.7	23.3	39.2	40.4	36.8
Hot-rolled sheet	(19)	5	15	15	12.5	20.6	26.4	30.4	34.3
Galvanised steel	(13)	1	15	(4)	(1)	3.2	12.5	18.6	18.6
Aluminium	21	(5)	5	(17)	(13.4)	(4.59)	(0.42)	(4..3)	(11.1)
Copper	77	0	0	(9)	5.95	21.21	13.5	(6.0)	(3.1)

Sources: Bloomberg, Company data, BOCI Research estimates

PROPERTY (China)

HK listed – Outperform
A shares – Marketperform

- The 12 May earthquake in Sichuan may have some impact on property sales and possibly the completion schedules for the Chengdu property market in the short term. In the long term, it also may result in stronger demand for new homes in these areas due to the better quality of flats, although demand from investors outside western China may still be affected in the next one to two years
- The ASP of commodity houses in 70 mainland cities grew 10.1% YoY in April 2008, 0.6ppt lower than that in March, according to NDRC statistics. Urumqi, Haikou, and Ningbo led the way on price increases, with rises of 22.0%, 19.2%, and 17.8% respectively.

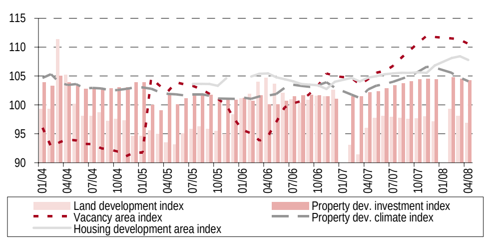
China Resources Land (1109.HK/HK$13.60) — Outperform

China Resources Land (CR Land) has the highest exposure in Chengdu among all developers. The company has a total land bank of 4.8m sqm in Chengdu. We believe the impact on CR Land of the earthquake in Sichuan Province is immaterial as it has already locked in 40% of its completion in Chengdu for 2008, versus our estimate of 45%. Management believes the earthquake will not have any material impact on the completion of the company's project in Chengdu. Given the satisfactory sales process and the locking in of 63% of the development profit for this year, we believe concern over the earthquake damage on CR Land's projects is a little overdone.

Huafa Industrial (600325.SS/Rmb15.91) — Outperform

Huafa issued new shares at a ratio of 3 for 10 to existing shareholders during 12-16 May. The total issued shares were enlarged to 821.5m from 631.9m. The issue price was set at Rmb13.98, representing a discount of 32.3% to the closing before the announcement. Major shareholder Zhuhai Huafa Group undertook to subscribe in cash to all the shares. The issuance saw the company raise proceeds of Rmb2.58bn to finance the development of Huafa Century City, which will be Huafa's main profit contributor in the next four years. Following the issuance, we expect that the company to have a net gearing of 6% as at end-2008. The placement will sharply improve Huafa's financial condition and enable it to accelerate its development in Zhuhai.

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)

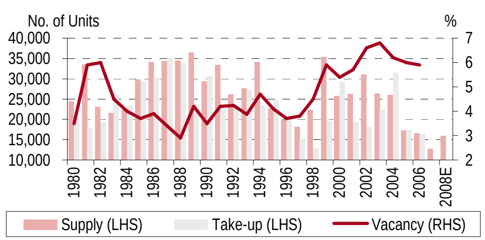
Developers – Marketperform
Investors – Outperform
REITs – Outperform

- The Land Registry announced that the April consideration and number of sales and purchase agreements for properties came in at HK$43.60bn and 10,973, down 23.9% MoM and 0.4% MoM (and 23.1% YoY and 0.3% YoY), respectively. The total monthly consideration and number of sales-and-purchase agreements for residential units in April were the lowest this year at HK$27.60bn and 9,047, down 26.4% MoM and 5.3% MoM (and down 30.1% YoY and 5.1% YoY), respectively. The declines were mainly due to a lack of sales of new primary projects, as developers put off launches following the poor performance of the stock market. According to Midland Realty, number of primary sales dropped from 2,266 in March to 381 units in April as no more new residential projects were put up for sale after the launch by Cheung Kong (Holdings) of the Capitol in Tseung Kwan O in February. We maintain our view that there will be drops of 10% and 15% in the prices of mass residential properties and high-end ones, respectively, from now to the end of this year. We reiterate our Marketperform rating on developers sector.

Great Eagle (0041.HK/HK$26.10) — Outperform

Great Eagle Holdings (GEH) has sold its Langham Place shopping mall and office in Mong Kok to Champion REIT (CREIT) to realise its true value, as the stock currently trades at a deep discount to its net asset value (NAV). Management has not ruled out the possibility of a special dividend per share (DPS) on completion of the disposal. We expect GEH to see a net cash inflow of HK$7.22bn (assuming it retain a 48% stake of CREIT), which translates to HK$12.00/share. If the cash is used to pay net debt of HK$5bn, the company will still be able to pay a special DPS of HK$3.70 or a third of the sales proceeds. However, as GEH's gearing is already low at around 22%, the payout may possibly be more as there is no urgency to repay debt. We expect the company to pay a special DPS of HK$3.70 to HK$12.00. We will review our earnings forecasts for GEH later. We reaffirm our ***Outperform*** call on GEH and retain our target price of HK$34.00, representing a 35% discount to its 2008 NAV of HK$52.40.

Private Residential Property Completions and Sales



Sources: Housing Department, Centaline

Key Statistics

	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
CCI	1	22	23	18	25	31	35	35	-
CCL Index	3	24	25	19	24	33	36	33	29
Trans. No.	(20)	47	20	112	82	93	57	16	0
Trans. Val	(20)	67	43	214	127	149	95	37	(23)
Primary trans	(19)	40	20	216	(46)	77	(55)	211	(82)
Unsold stock	12	(59)	(35)	(59)	(63)	(64)	(63)	(67)	-

Sources: Centaline, Midland, BOCI Research estimates

SMALL/MID-CAP

HK listed – Outperform

- While we remain fans of I.T's "multi-brand, multi-layer" business, its valuation now looks a bit rich. On the other hand, we are still positive on Vinda International, despite the minor impact of the earthquake in Sichuan.

I.T (0999.HK/HK$2.38) — Underperform

I.T's net profit for its fiscal year ended February 2008 surged 40% YoY to HK$171m, in line with our forecast, as sales rose 32% YoY to HK$2.02bn. There are two key aspects of this set of results. First, the company's China operation registered a slim FY08 net profit of around HK$10m, against a 43% YoY rise in overall sales and a 28% YoY growth in same-store sales. Second, I.T put in an exceptionally respectable performance in its Hong Kong operation in FY08 with a record high same-store sales growth of 16% YoY. We remain fans of I.T's "multi-brand, multi-layer" business model, which consistently helps it gain market share at the expense of its peers in Hong Kong, which is a mature market. We applaud I.T's move to assume full control of its China business, which has been driving a stock re-rating. That said, I.T now has a greater incentive to take a more aggressive stance in expanding its China operation. Expenses on advertising and the pace of opening new stores will likely be ahead of our previous expectations and, hence, the downward revision in earnings forecast for FY09. We lower our target price HK$3.08 to HK$2.69, based on a fair FY09 P/E of 15x. The stock's valuation now looks rich and we downgrade the stock from Outperform to ***Underperform***.

Vinda International (3331.HK/HK$2.70) — Outperform

Due to the impact of earthquake in Wenchuan County on 12 May, Vinda Paper (Sichuan) Co Ltd, a subsidiary of Vinda International, located approximately 100km away from epicentre, has been temporarily suspended production until 24 May for safety reasons. No injuries to or death of employees resulted from the quake. The company also did not report any material damage to equipment, machinery and building structures. The nearly two weeks of suspension means a loss of production of 700 tonnes. As at end-2007, Vinda's annual design production capacity stood at 240,000 tonnes and this year is expected to reach 320,000 tonnes. In our opinion, the sales contribution from Vinda Paper (Sichuan), which accounted for about 6.0% of total revenue in 2007, will be negatively affected due to transportation difficulties arising from the quake. However, the drawback will be evened out through an increase in new capacity installation and strong demand from eastern China. We will monitor Vinda's production and sales data to review its annual performance. For now, we retain our target price at HK$3.60 and reaffirm our ***Outperform*** call on the stock.

I.T — Profit & Loss

Year ended 28 Feb	2006	2007	2008	2009E	2010E
Turnover (HK$ m)	1,314	1,531	2,021	2,878	3,339
Change (%)	*26*	*16*	*32*	*42*	*16*
Net profit (HK$ m)	127	127	171	205	256
EPS (HK$)	0.12	0.12	0.16	0.18	0.22
Change (%)	*(22)*	*(1)*	*32*	*12*	*25*
P/E (x)	19.3	19.6	14.9	13.3	10.6
EV/EBITDA (x)	12.4	12.6	8.2	6.4	4.8
DPS (HK$)	0.05	0.05	0.11	0.09	0.11
Yield (%)	2.0	2.1	4.5	3.6	4.6

Sources: Company data, BOCI Research estimates

Vinda International — Profit & Loss

Year ended 31 Dec	2006	2007	2008E	2009E	2010E
Revenue (HK$ m)	1,358	1,778	2,755	3,493	4,241
Change (%)	*46.7*	*30.9*	*55.0*	*26.8*	*21.4*
Net profit (HK$ m)	107	78	170	285	398
Fully diluted EPS (HK$)	0.12	0.09	0.19	0.32	0.44
Change (%)	*83.0*	*(26.6)*	*116.9*	*68.0*	*39.6*
P/E (x)	22.8	31.1	14.4	8.5	6.1
CFPS (HK$)	0.05	0.10	(0.18)	0.10	0.01
P/CF (x)	52.5	26.3	(15.2)	26.0	225.4
EV/EBITDA (x)	13.0	14.4	7.5	4.9	3.7
DPS (HK$)	0.02	0.02	0.05	0.08	0.11
Yield (%)	0.8	0.8	1.7	2.9	4.1

Source: Company data, BOCI Research estimates

TECHNOLOGY

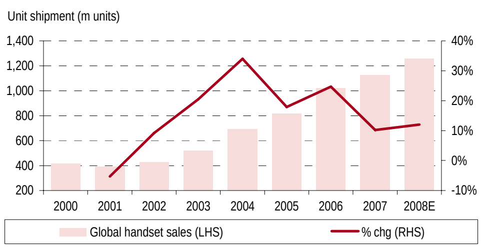
HK listed – Outperform
A shares –Outperform

- Worldwide sales of semiconductors of US$63.4bn in 1Q08 were 3.8% higher than the US$61.1bn reported for 1Q07. March sales of US$21.1bn were 3.4% higher than the US$20.5bn reported for February 2008. Sales declined by 5.1% in 1Q08 compared to the US$66.8bn for the 4Q07.
- According to Gartner, PC unit sales grew by 12% YoY in 1Q08, reaching 71.1m units, with strong sales outside the U.S. and slower sales in the U.S. Strength in the PC market was reflected in sales of microprocessors, which increased by 13.4% YoY.

Lenovo Group (0992.HK/HK$5.84) — Outperform

Lenovo's net profit for FY08 leaps 201% YoY to reach US$484m. Excluding a US$20m gain from the disposal of its handset business, recurrent profit actually surges 262% YoY to US$464m, mainly on the back of a 17% YoY rise in sales and encouraging margin expansion. In FY08, PC shipments rose 22% YoY, outpacing the industry average growth rate of 16%. Gross margin widened from 13.5% in FY07 to 15.0% in FY08. The company proposed a final dividend per share of HK$0.128, representing payout ratio of 38.6%. We raise our earnings forecasts for Lenovo by 13% for the fiscal year to 31 March 2009 and 11% for FY10, mainly to reflect the better-than-expected results for FY08. Major global peers, such as Hewlett-Packard and Dell trade on average at 13x forward P/E. Given Lenovo's larger exposure to the China and the Europe, Middle East and Africa (EMEA) markets, we believe it is better positioned to weather the turmoil in the US market. In addition, with the ongoing optimisation of product mix and enhancement of operational efficiency, we expect Lenovo to deliver higher earnings growth going forward. As such, we contend that a 30% valuation premium for Lenovo against the aforementioned global peers is warranted. Pegging a fair forward P/E of 17x, we lower our target price to HK$7.56 from HK$8.00. We reaffirm our ***Outperform*** call on the stock.

Global Handset Sales



Source: Strategic Analytics and BOCI Research estimates

Key Statistics

Semiconductor sales revenue	06	07	08E	1Q07	2Q07	3Q07	4Q07	1Q08
America (US$ bn)	44.9	44.0	46.2	10.0	9.9	10.9	11.3	10.2
Europe (US$ bn)	39.9	39.1	43.2	10.2	9.6	10.2	10.8	10.2
Japan (US$ bn)	46.4	45.5	47.8	11.6	11.6	12.3	13.1	12.3
Asia Pacific (US$ bn)	116.5	123.5	135.8	29.3	28.7	31.4	33.2	30.4
Total	247.7	252.1	273.0	61.1	59.9	64.7	68.4	63.1
Capacity & utilisation rate	**2Q06**	**3Q06**	**4Q06**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**1Q08**
Foundry capacity (wafer start per weekx1000)	280	289	298	261	272	307	313	298
Foundry utilisation rate (%)	94	92	81	79	93	94	94	94
Total IC capacity (wafer start per weekx1000)	1,744	1,808	1,884	1,872	1,972	2,093	2,118	2,155
Total IC utilisation rate (%)	91	89	86	87	89	90	90	91

Sources: SICAS, SIA, BOCI Research estimates

TELECOMS (China)

HK listed –Marketperform
A shares – Marketperform

- Industry regulator Ministry of Industry and Information (MII) issued a joint announcement with the National Development Reform Commission and Ministry of Finance, saying the government encouraged China's six telecom carriers to restructure into three groups in order to improve the competitive landscape. Following the restructuring, the government will issue three licences for 3G services, and implement asymmetrical regulations to enhance competition.

China Unicom (0762.HK/HK$18.48; 600050.SS/Rmb9.74) — Outperform (H); Marketperform (A)

Unicom announced that it had begun negotiations on the possible sale of its CDMA business to China Telecom and on a possible merger with Netcom. The stock is likely to remain suspended until there is an initial agreement on the proposed transactions, and the terms will likely have significant impact on the stock's valuation.

China Mobile (0941.HK/HK$114.60) — Underperform

While China Mobile is not directly involved in any restructuring, we believe MII's statement suggests that the listco will have to use the unproven home-grown TD-SCDMA technology and may see its market share weaken in future as a result of the industry restructuring and the implementation of asymmetrical regulations. While retain our target price of HK$127, we believe there will be some short-term pressure on the stock. Reiterate ***Underperform***.

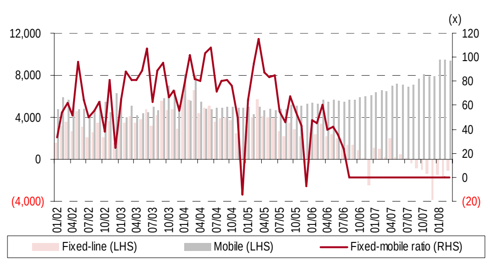
China Telecom (0728.HK/HK$5.67) — Underperform

China Telecom announced that it had begun talks for the acquisition of Unicom's CDMA business. The stock is likely to remain suspended until an initial agreement is reached. Reiterate ***Underperform***.

China Netcom (0906.HK/HK$27.05) — Underperform

China Netcom announced that it had begun talks on a possible merger with Unicom. The stock is likely to remain suspended until an initial agreement is reached. Reiterate ***Underperform***.

Fixed-line and Mobile Networks' Monthly Net Additions



Source: MII

Key Statistics

(m subscribers)	2007	2008E	2009E	Dec07	Jan08	Feb	Mar	Apr
National mobile sub.	547.3	641.0	728.1	547.3	555.8	565.2	574.6	582.0
net adds	86.2	93.7	87.1	7.9	9.5	9.5	9.4	7.4
CM total subscribers	369.3	444.3	511.7	369.3	376.4	384.4	392.1	399.5
net adds in period	68.1	74.9	67.4	6.6	7.0	8.0	7.8	7.4
CU-G total sub.	119.2	136.5	154.1	119.2	121.7	122.9	124.2	125.4
net adds in period	13.3	17.4	17.6	1.0	1.1	1.2	1.3	1.2
CU-C total sub.	41.1	46.2	49.9	41.1	42.2	42.5	42.8	43.1
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	66.5	68.3	69.8	71.5	72.6
net adds in period	15.6	15.6	14.0	0.9	1.8	1.5	1.7	0.9
CT broadband sub.	35.7	43.0	49.6	35.7	36.3	37.0	37.2	35.7
net adds in period	7.3	7.3	6.6	0.6	0.6	0.7	0.2	0.6
CN broadband sub.	19.8	24.5	28.7	19.8	20.5	21.0	21.7	19.8
net adds in period	4.7	4.7	4.2	0.5	0.8	0.5	0.6	0.5
National fixed-line sub.	365.4	363.9	365.6	365	364	362	361	361
net adds	(2.3)	(1.5)	1.7	(3.9)	(1.5)	(1.8)	(1.1)	0.3

Sources: MII, Company data, BOCI Research estimates

TELECOMS (Hong Kong)

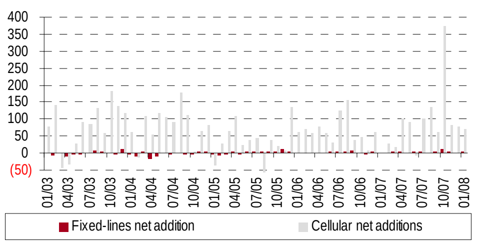
HK listed – Underperform

- Industry regulator Office of the Telecommunications Authority has urged the city's fixed and mobile operators to negotiate on a new scheme for fixed-mobile interconnection charge (FMIC) as the existing regime will expire in April 2009.

PCCW Ltd (0008.HK/HK$5.10) — Underperform

PCCW applied to OFTA to raise its tariff for unified interconnection and local access services (UILAS), a charge interconnection between the mobile networks and its PSTN, by 25% to HK$0.0545 per minute. OFTA did not object and the new tariff will become effective from June. We believe the impact of this tariff change on PCCW's bottom line will be minimal. Reiterate ***Underperform***.

Fixed-line and Mobile – Monthly Net Adds



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

Key Statistics

(m subscribers)	07	08E	09E	Sep07	Oct	Nov	Dec	Jan08	Feb
Fixed-line installed	3.72	3.78	3.82	3.87	3.87	3.87	3.72	3.72	3.73
Business	1.74	1.78	1.81	1.73	1.74	1.74	1.74	1.75	1.74
Residential	1.98	1.99	2.01	2.14	2.13	2.13	1.98	1.98	1.99
Ported fixed-line numbers	15.17	13.86	13.31	14.69	16.94	17.03	15.37	n.a.	n.a.
Internet connections	2.68	2.77	2.82	2.64	2.65	2.66	2.68	2.68	2.69
Narrowband dialup	0.96	0.96	0.95	0.95	0.95	0.95	0.96	0.96	0.96
Residential broadband	1.72	1.81	1.87	1.69	1.70	1.71	1.72	1.72	1.73
Cellular users	9.63	10.50	11.25	9.10	9.47	9.55	9.63	n.a.	n.a.
IDD traffic (m minutes)	9.50	10.26	10.88	7.02	7.87	8.70	9.50	0.84	0.84
Outgoing	7.24	7.96	8.56	5.37	6.01	6.63	7.24	0.63	0.63
Incoming	2.26	2.30	2.32	1.65	1.86	2.06	2.26	0.21	0.21

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

TRANSPORT – Aviation

HK listed – Outperform
A listed – Outperform

- After the severe earthquake in Sichuan Province on 12 May, China's major airlines have been playing an important role in transporting goods and people to and from the affected areas.
- Because of the surging price of oil, airlines have been granted permission to raise jet fuel surcharges on long-haul international routes from Rmb600 to Rmb800 per single trip from 1 June. Although the surcharge may partially offset the impact of higher fuel prices, we think it is a double-edged sword that may result in decreased passenger traffic. We note that, in 4M08, the airline sector saw a decline in demand, which we see as the effect of sluggish economic growth in the US, the hike of China's CPI and the stricter security checks that dampened people's willingness to travel by air. In addition, pressure from a price hike in domestically sourced jet fuel was another, as that in China is far below the international level currently.

Air China (0753.HK/HK$5.71; 601111.SS/Rmb12.29) — Outperform

Air China's revenue passenger kilometres (RPK) in April rose 0.36% YoY to 5,594m, while its passenger load factor (PLF) dropped 0.1ppt YoY to 78%.

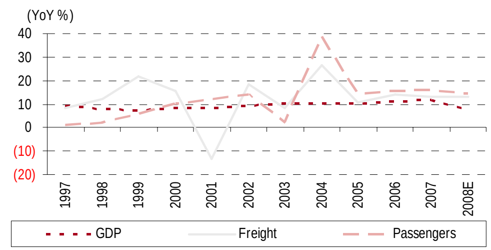
China Southern Airlines (1055.HK/HK$4.62; 600029.SS/Rmb10.28) — NR

China Southern Airlines' RPK in April rose 6.2% YoY to 6,068.6m, while its PLF rose 1.7ppts YoY to 77.8%.

China Eastern Airlines (0670.HK/HK$3.40; 600115.SS/Rmb9.85) — NR

China Eastern Airlines' RPK in March rose 0.32% YoY to 4,812.8m, while its PLF fell 2.4ppts YoY to 73.0%.

Passengers, Freight & GDP YoY Growth



Sources: NBS, BOCI Research estimates

Key Statistics

	05	06	07	Nov07	Dec	Jan08	Feb	Mar	Apr
RPK YoY %									
Air China	13	15	14	9	9	18	10	1	0
CSA	67	12	15	19	22	22	13	6	6
CEA	32	38	12	16	16	14	5	2	0
Passenger loading factor (%)									
Air China	74	76	77	79	76	77	77	78	77
CSA	70	72	73	75	73	74	74	75	77
CEA	69	71	70	76	71	72	71	73	73

Sources: Bloomberg, Company data, BOCI Research estimates

TRANSPORT – Land

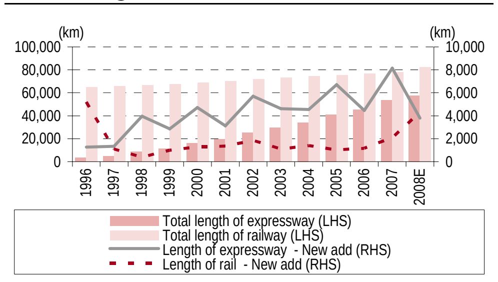
HK listed – Outperform
A listed – Outperform

- In order to support the transportation of goods to earthquake-stricken Sichuan Province, Expressways and national trunk roads all over the country are operating highly efficiently under a "Green Passage" policy. As of 23 May 23 2008, Rmb112m in toll fees were rebated, of which Rmb57.03m was in Chongqing, Shanxi Province and Ganshu Province.

China Railway Group Ltd (0390.HK/HK$6.95; 601390.SS/Rmb6.61) — Outperform

China Railway Group Ltd (CRGL) announced the signing on 20 May 2008 of a Rmb1.3bn contract for a build-transfer (BT) project in Guangdong Province. The contract's value represents 0.725% of the company's 2007 core business revenue. The BT project, with a total length of 26.5km, is for a rapid trunk expressway in the Shunde District of Foshan City. The company also signed a strategic cooperation framework agreement with the Shunde Municipal Government for further municipal works. We expect the company to sign more new contracts related to transport infrastructure, development of industrial zones, urban development, renovation and peripheral municipal works. We believe CRGL will leverage on its solid relationship with local governments and consolidate its leading position in the municipal works area. We maintain our forecasts for CRGL and reaffirm our ***Outperform*** rating on it.

Total Length of Railway and Expressway



Sources: MOC, CEIC

Key Statistics

Railway	07	08E	09E	Nov07	Dec	Jan08	Feb	Mar	Apr
Passenger carried (person, bn)	1,357	1,548	1,718	103	107	119	129	119	119
Passenger turnover (person-km, bn)	722	809	897	51	51	65	74	70	65
Freight carried (tonne, bn)	3,142	3,371	3,641	259	269	267	257	286	276
Freight turnover (tonne-km, ibn)	2,379	2,445	2,592	204	210	202	183	219	213
FAI (Rmb bn)	236	331	480	22	24	11	n/a	16	23
Road									
Passenger carried (person, in bn)	21	21	22	2	2	2	2	2	2
Passenger turnover (person-km, in bn)	1,151	1,174	1,264	95	96	98	107	104	100
Freight carried (tonne, bn)	16	17	19	1	2	1	1	1	1
Freight turnover (tonne-km, bn)	1,136	1,187	1,317	99	114	95	90	102	105
FAI (Rmb bn)	690	794	913	70	96	36	n/a	39	45

Sources: CEIC, MOC, BOCI Research estimates

TRANSPORT – Marine

HK listed – Outperform
A shares – Marketperform

- The Baltic Dry Index (BDI) continued its rally in May, breaking through the 11,000-point level from 9,356 points at end-April, due to favourable seasonal factors, as well as the effect from rising trade activities in the forward freight agreement (FFA) market.
- The very large crude carrier (VLCC) rate also had a good run in May, rising from WS112.5 to above WS140 level.

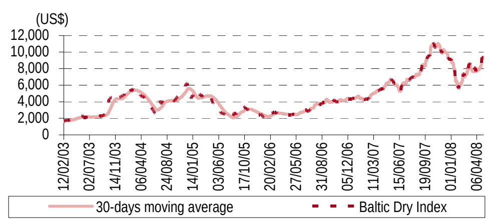
Pacific Basin Shipping (2343.HK/HK$12.60) — Outperform

Pacific Basin Shipping (PBS) announced plans to place 158.6m new shares, representing 10% of its existing share capital or 9.1% of the enlarged share capital, to independent investors at HK$13.52 each. The placement is subject to approval from the Stock Exchange of Hong Kong. The gross proceeds of about HK$2,144m will be used to finance the company's business expansion, including investments in roll-on-roll-off (ro-ro) vessels, dry bulk vessels and maritime infrastructure, such as tugs and ports. We believe the placement will reduce financing pressure on the company's current US$550m capital commitment to acquire newbuildings, including eight Handysize vessels, one Handymax vessel, one post-Panamax vessel, seven tugs and four ro-ro vessels, which will be positive in the long run. Given the potential EPS dilution, we will lower our target price for PBS from HK$21.90 to HK$19.70 on completion of the placement.

COSCO Pacific (1199.HK/HK$13.60) — Outperform

COSCO Pacific joined the privatisation bids for two largest ports in Greece, namely Piraeus and Thessaloniki. Other major bidders include Hutchison Port Holdings (in a team-up with Alapis, Industrial & Commercial SA and LYD SA) and DP World (in a team-up with Hellenic Technodomiki's construction unit Aktor Concessions SA and Piraeus Bank SA). The bids for Piraeus Port (including construction of two new piers) and Thessaloniki Port (including a provision to raise capacity to 1.95m TEU) closed in early May. Both ports will offer the successful bidders concessions of at least 30 years. The 2007 throughputs of Piraeus Port and Thessaloniki Port amounted to 1.37m TEU (down 2.2% YoY) and 447,211 TEU (up 30.1% YoY), respectively. We believe that, if COSCO Pacific succeeds in its bid for the ports, it will help the company's overseas expansion and help it develop a solid position in the Mediterranean.

Baltic Dry Index (BDI) Trend



Sources: Bloomberg

Key Statistics

% YoY	06	07	08E	Nov07	Dec	Jan08	Feb	Mar	Apr
Shenzhen	14	10	15	15	40	18	(9)	43	4
Shanghai	20	25	15	17	19	26	3	18	9
Dalian	21	20	27	35	21	41	7	43	14
Tianjin	24	28	20	21	10	18	23	23	23
Qingdao	22	24	20	15	23	10	19	7	5
Xiamen	20	18	10	(2)	13	13	(1)	11	10
Ningbo	36	30	25	18	33	26	14	22	14
Guangzhou	41	40	35	24	55	49	22	41	25

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.

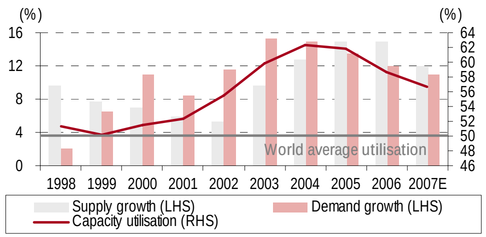
Datang Power (0991.HK/HK$5.32; 601991.SS/Rmb12.44) — Outperform

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$2.54; 600027.SS/Rmb5.86) — 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			
Generation growth	1Q	1H	9M	FY	1Q	1H	9M	FY
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.

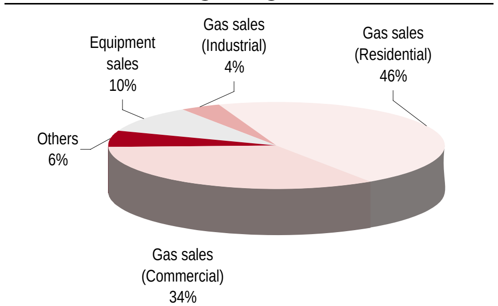
CLP Holdings (0002.HK/HK$64.70) — Underperform

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$3.80) — 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	Y/E	Price (29/05/08) ($)	1M. chg (%)	YTD. chg (%)	3M avg. daily T/O (HK$ m)	Free float mkt cap.^ (HK$ m)	EPS 08E (HK$)	EPS 09E (HK$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK$)
	Automotive																	
2357	AviChina (H)	Dec	1.19	4	(42)	16	1,989	(0.10)	(0.09)	-	-	59	11	0.0	0.0	Wang Yusheng	U	0.88
1114	Brilliance Auto (R)	Dec	1.34	(6)	(23)	16	2,998	(0.02)	0.02	(59.6)	59.6	-	(200)	0.0	0.0	Eric Hu	U	1.32
0203	Denway Motors (R)	Dec	3.63	(10)	(28)	88	16,918	0.38	0.42	9.5	8.7	17	9	5.0	5.3	Eric Hu	OP	4.10
0489	Dongfeng Motor Group (H)	Dec	3.78	(12)	(31)	90	10,748	0.49	0.56	7.6	6.7	0	14	1.5	1.5	Eric Hu	OP	5.05
0300	Kunming Machine (H/A)	Dec	8.16	(1)	(25)	5	612	0.92	1.18	8.8	6.9	44	28	3.4	4.4	SHI Qi	OP	26.25
0425	Minth Group (P)	Dec	6.98	(22)	(39)	8	3,731	0.61	0.85	11.4	8.2	33	39	0.9	1.4	Eric Hu	OP	15.30
1122	Qingling Motors (H)	Dec	1.42	(1)	(7)	3	1,057	0.08	0.09	18.0	15.8	17	14	2.4	3.2	Eric Hu	OP	2.47
2338	Weichai Power (H/A)	Dec	40.65	1	(29)	51	5,083	5.12	6.79	7.9	6.0	4	33	1.3	1.7	Eric Hu	OP	67.10
	Average			(6)	(28)	35	43,136	0.94	1.23	0.5	16.0	25	(7)	1.8	2.2			
	Chemicals																	
0549	Jilin Qifeng (H)	Dec	0.43	12	(27)	0	112	0.14	0.23	3.2	1.8	53	72	18.3	18.3	Ni Xiaoman	U	0.95
0338	Shanghai Petrochem (H/A)	Dec	3.17	4	(34)	59	7,304	(0.05)	0.30	(67.1)	10.6	(119)	(733)	0.0	3.2	Lawrence Lau	U	2.99
0297	Sinofert HK Hldg (R)	Dec	6.04	(1)	(17)	178	13,050	0.35	0.45	17.4	13.5	63	28	0.5	0.5	Ni Xiaoman	OP	9.80
1033	Yizheng Chemical (H/A)	Dec	1.82	17	(32)	22	2,548	0.01	0.02	179.8	107.9	(50)	(67)	0.0	0.0	Lawrence Lau	U	1.37
	Average			8	(28)	65	23,013	0.11	0.25	33.3	33.5	(35)	(257)	0.2	1.2			
	Conglomerates																	
0291	China Resources (R)	Dec	25.95	(12)	(23)	147	29,004	1.05↓	1.29↓	24.8	20.1	7	23	1.7	2.2	Ashley Cheung	U↓	20.30
	Average			(12)	(23)	147	29,004	1.05	1.29	24.8	20.1	7	23	1.7	2.2			
	Consumer Products																	
2020	Anta Sports Products (P)	Dec	8.54	(1)	(21)	28	5,316	0.34	0.48	24.9	17.6	82	41	1.2	1.7	Ashley Cheung	OP	15.90
0506	China Foods (R)	Dec	3.96	(16)	(32)	17	2,818	0.16	0.23	24.1	17.5	27	38	1.4	1.9	Jenny Chan	OP	4.90
0359	China Haisheng Juice (P)	Dec	1.70	(1)	(13)	1	918	0.15	0.17	11.5	10.0	21	15	2.3	2.6	Frank Lai	OP	1.79
0904	China Green	April	10.26	(2)	23	20	4,890	0.48	0.58	21.2	17.5	8	21	1.3	1.5	Jenny Chan	OP	12.15
3398	China Ting (P)	Dec	1.38	(3)	(30)	3	843	0.23	0.27	6.0	5.1	5	17	10.9	12.3	Frank He	OP	2.08
0828	Dynasty Fine Wines (R)	Dec	1.59	2	(49)	3	554	0.14	0.16	11.5	9.7	16	18	5.0	5.7	-	U	2.80
1169	Haier Electronics (P)	Dec	1.48	19	(11)	1	746	0.16	0.20	9.3	7.3	19	28	2.8	3.6	-	OP	3.35
0124	Kingway Brewery (R)	Dec	1.51	(3)	(31)	1	1,848	0.00	0.00	-	0.0	0	0	0.0	0.0	-	U	0.96
2319	Mengniu Dairy (P)	Dec	23.70	0	(17)	183	22,643	0.93	1.19	25.4	19.9	26	28	0.8	0.9	Zhao Zongjun	OP	29.40
2331	Li Ning (P)	Dec	22.90	(1)	(21)	104	7,107	0.75	1.03	30.3	22.3	46	36	1.5	2.0	Ashley Cheung	OP	27.60
157	Natural Beauty (P)	Dec	2.05	14	(17)	2	1,423	0.11	0.13	18.6	15.3	24	22	4.3	5.2	Sarah Xing	OP	2.33
0751	Skyworth (P)	Mar	0.87	19	(26)	3	1,103	0.10	0.12	8.7	7.3	11	20	4.6	4.6	-	OP	1.10
2618	TCL Communication (R)	Dec	0.26	(9)	(18)	3	645	0.00	0.00	-	-	100	0	0.0	0.0	-	U	-
1070	TCL Multimedia (R)	Dec	0.37	12	(31)	10	723	0.06	0.07	6.1	5.2	(100)	(17)	0.0	0.0	-	OP	0.91
0322	Tingyi (P)	Dec	9.75	(6)	(23)	45	12,356	0.00	0.00	-	0.0	0	0	2.4	0.0	-	U	1.05
0168	Tsingtao Brewery (H/A)	Dec	20.60	(7)	(21)	50	4,855	0.76	1.00	26.9	20.6	58	31	3.7	4.9	Zhao Zongjun	MP	24.50
3331	Vinda International	Dec	2.70	11	(36)	5	864	0.19	0.32	14.2	8.4	111	68	1.9	3.0	Sarah Xing	OP	3.60
2698	Weiqiao Textile (H)	Dec	8.65	(7)	(22)	16	3,615	1.69	1.81	5.1	4.8	(4)	7	5.9	6.2	Frank He	U	8.20
2088	Xiwang Sugar (P)	Dec	2.97	(5)	(12)	5	917	0.66	0.82	4.5	3.6	34	25	5.8	7.7	Jenny Chan	OP	5.80
8259	North Andre Juice (H)	Dec	0.81	23	4	2	855	0.12	0.13	6.9	6.1	102	12	4.4	4.9	Jenny Chan	OP	1.80
	Average			2	(20)	25	75,041	0.35	0.44	15.0	10.4	29	21	3.0	3.4			
	Consumer Services																	
0308	China Travel (R)	Dec	3.14	(9)	(39)	73	6,576	0.00	0.00	-	0.0	0	0	0.0	0.0	-	NR	-
2932	Gome Electrical	Dec	4.74	6	(4)	189	7,149	0.88	1.10	21.5	17.3	36	24	1.8	1.8	Ashley Cheung	OP	17.80
2006	Jin Jiang Hotel (H)	Dec	2.27	(6)	(29)	14	3,711	0.10	0.13	22.5	17.9	49	26	1.9	2.4	Kitty Cheung	OP	5.15
0980	Lianhua Supermarket (H)	Dec	10.94	2	4	3	3,048	0.56	0.66	19.5	16.7	65	17	2.1	2.1	Ashley Cheung	OP	10.50
1832	Times	Dec	2.98	(1)	(20)	2	651	0.20	0.26	14.9	11.4	46	31	3.8	3.8	Ashley Cheung	OP	4.10
8277	Wumart Stores (H)	Dec	6.60	3	(0)	8	4,445	0.36↑	0.45↓	18.1	14.6	32	24	1.7	3.4	Ashley Cheung	OP	9.15
	Average			(1)	(15)	48	4,263	0.35	0.43	16.1	10.8	38	20	2.8	3.1			
	Energy																	
0606	China Agri-Industries (R)	Dec	5.28	(3)	1	648	8,032	0.46	0.52	11.4	10.2	43	12	1.3	1.5	Lawrence Lau	OP	5.96
1898	China Coal (H/A)	Dec	17.12	1	(30)	649	70,368	0.76	1.08	22.5	15.8	32	42	0.9	1.3	Lawrence Lau	OP	22.64
2883	China Oilfield Services (H/A)	Dec	14.40	(1)	(19)	152	7,200	0.81	0.88	17.9	16.4	32	9	1.3	1.4	Lawrence Lau	OP	18.97
0883	CNOOC (R)	Dec	13.74	(3)	3	1,969	176,530	1.13	1.14	12.2	12.0	40	1	2.5	2.5	Lawrence Lau	OP	16.27
0857	PetroChina (H/A)	Dec	10.74	(8)	(23)	2,571	226,603	0.74	0.75	14.5	14.3	(19)	1	3.1	3.2	Lawrence Lau	U	9.18
1088	Shenhua Energy (H/A)	Dec	35.20	(3)	(24)	1,281	119,645	1.55	1.78	22.7	19.7	25	15	1.4	1.5	Lawrence Lau	OP	46.23
0386	Sinopec (H/A)	Dec	8.18	(9)	(37)	1,495	137,260	0.39	0.71	20.8	11.6	(46)	80	1.2	2.2	Lawrence Lau	MP	7.72
1171	Yanzhou Coal (H/A)	Dec	16.64	15	8	334	32,734	1.29	1.82	12.9	9.1	75	41	2.0	2.7	Lawrence Lau	OP	18.68
	Average			(1)	(15)	1,137	778,373	0.89	1.09	16.9	13.6	23	25	1.7	2.0			

China – HK

RIC	Company	Y/E	Price (29/05/08) ($)	1M. chg (%)	YTD. chg (%)	3M avg. daily T/O (HK$ m)	Free float mkt cap^. (HK$ m)	EPS 08E (HK$)	EPS 09E (HK$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK$)
	Financials																	
3988	Bank of China (H/A)	Dec	3.92	(1)	4	1,305	325,580	0.37	0.48	10.6	8.1	50	30	4.3	5.5	Yuan Lin	OP	4.45
3328	Bank of Communications (H/A)	Dec	10.14	(12)	(7)	834	69,552	0.74	0.88	13.7	11.6	53	18	2.6	3.0	Yuan Lin	OP	11.90
0998	China Citic Bank (H/A)	Dec	5.39	3	10	184	22,002	0.38	0.45	14.1	12.0	48	18	2.9	3.3	Yuan Lin	OP	5.80
0939	China Construction Bank (H/A)	Dec	6.75	(4)	2	2,158	166,832	0.49	0.52	13.6	13.0	47	5	3.3	3.5	Yuan Lin	MP	7.33
0165	China Everbright (R)	Dec	18.10	(4)	(27)	261	12,993	1.49	1.42	12.1	12.7	(53)	(5)	0.8	0.8	K.W. Wong	OP	19.60
0966	China Insurance (R)	Dec	23.05	7	8	51	12,759	0.12	0.55	192.1	41.9	(89)	358	0.0	0.2	K.W. Wong	OP	21.40
2628	China Life (H/A)	Dec	31.10	(8)	(23)	3,488	228,551	0.87	1.05	35.9	29.7	(44)	21	0.9	1.3	Yuan Lin	MP	31.20
3968	China Merchant Bank (H/A)	Dec	27.95	(14)	(12)	988	74,433	1.80	1.91	15.5	14.6	54	6	1.6	1.6	Yuan Lin	OP	25.90
0133	CM China Direct Investments	Dec	28.70	(11)	(20)	15	2,482	-	-	-	-	-	-	-	-	K.W. Wong	NR	-
1398	ICBC (H/A)	Dec	5.80	(6)	4	2,168	576,737	0.44	0.53	13.2	11.0	63	21	4.1	4.8	Yuan Lin	OP	7.30
2328	PICC (H)	Dec	6.07	(22)	(46)	306	20,966	0.50	0.58	12.1	10.5	19	16	5.9	6.9	Yuan Lin	OP	12.60
2318	Ping An (H/A)	Dec	65.55	(10)	(22)	1,363	899,236	1.59	2.04	41.3	32.2	(45)	28	0.5	0.6	Yuan Lin	MP	59.00
	Average			(7)	(11)	1,093	2,412,122	0.80	0.95	34.0	17.9	5	49	2.3	2.6			
	Industrials																	
0914	Anhui Conch (H/A)	Dec	69.00	8	2	235	47,544	2.53	3.16	27.3	21.8	32	25	0.7	0.9	Grace Tang	MP	64.68
1800	China Com. Construction (H)	Dec	17.00	(9)	(17)	844	68,047	0.69	0.97	24.8	17.6	49	41	0.9	1.3	Jimmy Lam	OP	26.00
0390	China Railway (H/A)	Dec	6.95	(8)	(35)	417	29,311	0.24	0.35	28.7	19.9	89	44	0.8	1.3	Patrick Li	OP	8.36
1186	China Railway Construction (H/A)	Dec	12.28	4	-	-	21,515	0.42	0.61	29.2	20.1	30	45	0.8	1.3	Patrick Li	OP	14.53
3323	China National Bldg Material (H)	Dec	17.72	(8)	(41)	229	14,207	0.85	1.17	20.7	15.1	77	37	1.1	1.5	Grace Tang	OP	24.30
3339	CIMH (P)	Dec	9.02	2	(27)	55	4,715	0.74	0.96	12.2	9.4	12	29	3.2	4.1	Eric Hu	OP	9.30
3898	CSR Times Electric (H)	Dec	7.92	4	(31)	24	3,614	0.38	0.48	20.8	16.5	19	26	2.1	2.8	SHI Qi	OP	10.75
1072	Dongfang Elec. Machinery (H/A)	Dec	25.20	(20)	(62)	74	4,287	3.58	0.00	7.0	0.0	4	0	5.4	0.0	-	OP	40.00
0317	Guangzhou Shipyard Int'l (H/A)	Dec	26.70	0	(40)	57	4,205	2.94	3.42	9.1	7.8	49	16	2.2	4.2	-	OP	55.70
0350	Jingwei Textile (H/A)	Dec	1.98	(11)	(43)	3	358	0.47	0.61	4.2	3.3	27	29	76.1	98.3	-	OP	12.30
2689	Nine Dragons Paper (P)	Jun	7.72	(6)	(61)	206	9,901	0.71	1.05	10.9	7.4	31	48	1.9	2.8	Charles Law	OP	14.93
1893	Sinoma	Dec	8.02	16	(16)	114	9,336	0.24	0.35	34.1	23.0	7	48	0.9	1.3	Lawrence Lau	OP	8.78
2002	Sunshine Paper	Dec	4.02	3	(42)	1	951	0.52	0.74	7.8	5.4	39	43	2.0	2.8	Charles Law	OP	8.50
3393	Wasion Meter (P)	Dec	3.90	6	(17)	4	1,402	0.34	0.43	11.6	9.1	30	27	3.5	4.3	SHI Qi	OP	6.30
0505	Xingye Copper (P)	Dec	2.03	(8)	(49)	8	350	0.29	0.35	6.9	5.8	8	19	3.9	4.4	Sarah Xing	OP	2.71
	Average			(2)	(34)	214	18,882	1.23	1.16	17.7	12.6	38	31	8.7	10.8			
	Media																	
1000	Beijing Media Corp (H)	Dec	4.06	(1)	(19)	0	291	0.26	0.27	15.6	15.3	2,800	2	5.5	5.5	Allan Ng	U	9.00
8002	Phoenix TV (P)	Dec	1.28	14	(24)	5	1,043	0.06	0.06	22.5	22.1	8	2	1.5	1.6	Allan Ng	OP	1.70
0205	SEEC Media (P)	Dec	0.42	6	(14)	0	367	0.00	0.00	-	0.0	0	0	0.0	0.0	Allan Ng	NR	-
0811	Xinhua Winshare (H)	Dec	3.02	(17)	(42)	19	1,234	0.44↓	0.44↓	6.9	6.8	(4)	2	3.4	3.7	Allan Ng	OP	8.10
	Average			1	(25)	6	734	0.19	0.19	19.0	12.5	936	1	2.3	2.4			
	Metals & Mining																	
0347	Angang New Steel (H/A)	Dec	20.00	1	(6)	336	17,799	1.47	1.88	13.6	10.6	16	29	3.7	4.7	Belle Chan	OP	21.00
2600	CHALCO (H/A)	Dec	13.14	(3)	(18)	612	50,799	0.78	1.05	16.9	12.6	(22)	35	1.4	1.7	Belle Chan	U	10.50
1053	Chongqing Iron & Steel (H/A)	Dec	3.85	18	(2)	18	2,071	0.43	0.38	9.0	10.1	41	(11)	3.8	3.5	Belle Chan	OP	4.25
2626	Hunan Non-ferrous Metals (H)	Dec	2.920	(4)	(41)	51	3,996	0.12	0.16	23.6	18.5	22	27	0.8	1.2	Belle Chan	U	1.90
0358	Jiangxi Copper (H/A)	Dec	17.64	(5)	(8)	428	4,984	1.86	1.59	9.5	11.1	18	(15)	2.6	2.7	Belle Chan	OP	23.00
3330	Lingbao Gold (H)	Dec	3.77	(0)	(22)	9	1,045	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	5.73	16	11	153	9,987	0.40	0.44	14.2	13.1	3	8	2.6	2.7	Belle Chan	U	3.20
1862	Sino Gold (P)	Dec	41.50	11	(13)	9	7,512	1.12	3.22	37.0	12.9	-	187	0.0	0.0	Belle Chan	OP	67.00
3833	Xinjing Xinxin Mining (H)	Dec	5.52	1	(37)	10	3,806	0.37	0.49	14.9	11.2	(11)	33	1.6	2.2	Belle Chan	OP	7.80
2899	Zijin Mining (H)	Dec	7.40	2	(39)	388	29,173	0.28	0.35	26.4	21.1	47	25	2.0	2.7	Belle Chan	OP	19.90
	Average			4	(17)	201	131,171	0.74	1.03	17.2	12.6	21	35	2.3	2.9			
	Pharmaceuticals																	
0874	Guangzhou Pharm. (H/A)	Dec	7.10	6	(4)	5	1,555	0.60	0.56	11.9	12.6	61	(6)	2.1	2.5	-	OP	11.10
8069	Tong Ren Tang Tech. (H)	Dec	11.50	2	(21)	2	1,005	1.25	1.50	9.2	7.7	16	20	4.3	5.2	-	OP	23.00
	Average			4	(12)	4	2,560	0.92	1.03	10.6	10.2	38	7	3.2	3.9			

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RIC	Company	Y/E	Price (29/05/08) ($)	1M. chg (%)	YTD. chg (%)	3M avg. daily T/O (HK$m)	Free float mkt cap^ (HK$ m)	EPS 08E (HK$)	EPS 09E (HK$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK$)
	Property																	
3383	Agile Property (P)	Dec	9.52	(13)	(33)	253	14,835	0.90	1.37	10.5	7.0	43	51	3.3	4.3	Kitty Cheung	OP	11.76
2868	Beijing Capital Land (H)	Dec	2.60	(25)	(45)	13	2,500	0.37	0.47	6.9	5.5	29	25	5.8	7.3	Kitty Cheung	MP	3.70
0588	Beijing North Star (H/A)	Dec	3.00	(10)	(37)	6	1,579	0.29	0.00	10.3	0.0	20	0	2.4	0.0	-	U	1.90
0688	China Overseas (R)	Dec	14.10	(14)	(13)	599	53,067	0.87	1.21	16.2	11.6	33	40	1.1	1.6	Kitty Cheung	OP	16.30
1109	China Resources Land (R)	Dec	13.60	(14)	(21)	232	20,843	0.53	0.90	25.8	15.1	738	70	1.3	1.8	Manfred Ho	OP	16.40
2007	Country Garden (P)	Dec	6.15	(9)	(32)	137	17,104	0.53	1.08	11.6	5.7	74	104	2.6	5.3	Kitty Cheung	OP	7.56
3900	Greentown China (H)	Dec	8.70	(5)	(29)	23	4,899	0.89	1.07	9.8	8.1	45	21	3.2	3.9	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	2.90	(15)	(32)	15	1,017	0.00	0.00	-	0.0	-	0	0.0	0.0	-	NR	-
1207	Shanghai Real Estate (P)	Dec	1.22	(18)	(38)	11	886	0.34	-	3.6	0.0	28	0	8.0	0.0	-	MP	1.96
0604	Shenzhen Investment (R)	Dec	3.38	(21)	(39)	78	5,003	0.52	0.78	6.5	4.4	(16)	50	4.7	7.0	Kitty Cheung	OP	4.50
0272	Shui On Land (P)	Dec	6.90	(13)	(24)	204	12,994	0.47	0.62	14.6	11.2	(29)	31	1.5	2.0	Kitty Cheung	MP	8.00
3377	Sino-ocean Land (R)	Dec	6.32	(7)	N/A	204	2,716	0.47	0.71	13.3	8.9	9	49	3.0	4.4	Kitty Cheung	OP	8.90
	Average			(13)	(31)	148	136,898	0.53	0.75	11.2	6.2	96	31	3.1	3.0			
	Technology																	
3355	ASMC (H)	Dec	0.24	(2)	(38)	0	113	0.08	0.11	3.0	2.2	15	34	0.0	0.0	-	OP	1.10
1211	BYD (H)	Dec	12.34	(12)	(9)	28	1,866	3.50	3.81	3.5	3.2	8	9	5.7	6.2	-	OP	42.90
0861	Digital China (R)	Mar	5.66	18	(0)	7	3,597	0.44	0.50	12.9	11.3	83	14	2.3	2.7	-	U	5.00
0992	Lenovo Group (R)	Mar	5.84	(3)	(17)	227	23,295	0.40	0.43↑	14.7	13.6	183	8	2.7	4.0	Frank He	OP	7.56
0981	SMIC (P)	Dec	0.54	(11)	(34)	49	8,508	(0.01)	0.07	-	7.7	(50)	n.a.	0.0	0.0	-	U	0.60
0763	ZTE (H/A)	Dec	40.00	19	33	77	6,528	2.01	2.64	19.9	15.2	54	31	0.8	1.0	Allan Ng	OP	48.00
	Average			2	(11)	65	43,907	1.07	1.26	10.8	8.9	49	(151)	1.9	2.3			
	Telecoms																	
0941	China Mobile (R)	Dec	114.60	(16)	(17)	4,117	582,314	6.06	6.60	18.9	17.4	24	9	2.5	2.8	Allan Ng	U	127.00
0906	China Netcom (R)	Dec	27.05	12	15	286	41,919	1.65	1.62	16.4	16.7	5	(2)	2.4	2.4	Allan Ng	U	23.80
0728	China Telecom (H)	Dec	5.67	7	(9)	917	78,469	0.36	0.45	15.6	12.5	16	24	1.4	1.3	Allan Ng	U	6.30
0762	China Unicom (R/A)	Dec	18.48	9	3	400	72,960	0.73	0.89	25.4	20.7	19	22	1.5	1.8	Allan Ng	OP	20.00
	Average			3	(2)	1,430	775,662	2.20	2.39	19.1	16.8	16	13	2.0	2.1			
	Transport																	
0753	Air China (H/A)	Dec	5.71	(1)	(51)	323	12,819	0.22	0.27	25.4	21.2	(24)	20	2.9	3.7	Du JianPing	OP	6.92
0995	Anhui Expressway (H/A)	Dec	5.80	0	(20)	7	2,694	0.48	0.50	12.0	11.6	51	3	3.7	3.7	Patrick Li	MP	7.18
0694	Beijing Capital Airport (H)	Dec	8.06	1	(39)	98	10,850	0.30	0.00	27.0	0.0	(12)	0	0.6	0.0	-	U	4.54
0670	China Eastern Airlines (H/A)	Dec	3.40	5	(56)	69	6,123	0.00	0.00	-	0.0	100	0	0.0	0.0	-	U	1.02
0144	China Merchants (R)	Dec	34.35	(18)	(29)	262	35,846	1.76	1.87	19.5	18.4	17	6	2.3	2.5	Jimmy Lam	MP	38.30
1138	China Shipping (H/A)	Dec	25.55	(3)	24	231	33,142	2.18	2.61	11.7	9.8	42	20	3.2	3.8	Jimmy Lam	OP	30.05
1055	China Southern Airlines (H/A)	Dec	4.62	(9)	(55)	75	9,902	0.00	0.00	-	0.0	100	0	0.0	0.0	-	U	1.80
1199	COSCO Pacific (R)	Dec	14.60	(4)	(30)	139	15,357	1.22	1.44	12.0	10.2	(17)	18	4.3	0.5	Jimmy Lam	OP	25.50
2866	CSCL (H)	Dec	3.80	9	(17)	239	9,166	0.00	0.00	-	0.0	-	0	0.0	0.0	-	NR	-
0525	GS Railway (H/A)	Dec	3.87	(14)	(32)	33	5,538	0.24	0.29	16.4	13.2	5	24	2.6	2.9	Patrick Li	MP	4.80
0177	Jiangsu Expressway (H/A)	Dec	5.95	(18)	(30)	63	7,194	0.46	0.56	12.9	10.6	26	21	6.4	7.8	Patrick Li	OP	7.75
0357	Meilan Airport (H)	Dec	9.05	10	(9)	1	2,055	0.28	0.00	32.2	0.0	(4)	0	1.0	0.0	-	U	3.60
0548	Shenzhen Expressway (H/A)	Dec	4.75	(18)	(45)	23	3,522	0.39	0.58	12.0	8.1	14	48	4.3	6.6	Patrick Li	OP	7.04
0716	Singamas (P)	Dec	2.49	10	(27)	8	998	0.63	0.67	3.9	3.7	69	6	6.0	6.3	Jimmy Lam	OP	4.70
0368	Sinotrans Shipping (R)	Dec	4.53	(4)	(31)	35	6,342	0.62	0.62	7.3	7.3	100	0	3.4	5.2	Jimmy Lam	OP	8.45
0576	Zhejiang Expressway (H)	Dec	6.48	(19)	(48)	75	9,287	-	-	-	0.0	0	0	0.0	0.0	-	U	4.77
	Average			(5)	(31)	105	170,833	0.59	0.63	16.0	7.1	31	10	2.5	2.7			
	Utilities																	
0392	Beijing Enterprises (R)	Dec	30.10	(8)	(19)	52	10,923	1.65	2.04	18.2	14.8	(1)	24	1.3	1.3	-	OP	42.80
2380	China Power Int'l (R)	Dec	2.52	(10)	(31)	21	4,088	0.14	0.18	18.0	14.0	(13)	29	3.6	3.6	-	OP	3.60
0836	China Resources Power (R)	Dec	20.50	6	(24)	184	33,256	0.87	1.06	23.6	19.3	(1)	22	1.4	1.5	-	OP	18.00
0991	Datang Int'l (H/A)	Dec	5.32	2	(24)	196	7,622	0.19	0.37	27.8	14.3	(43)	94	2.5	2.5	-	OP	8.00
0270	Guangdong Investment (R)	Dec	3.68	(3)	(17)	27	7,437	0.00	0.00	-	0.0	0	0	0.0	0.0	-	OP	4.16
1071	Huadian Power (H/A)	Dec	2.54	(4)	(36)	59	3,635	0.09	0.19	28.2	13.3	(60)	113	2.7	2.7	-	OP	3.45
0902	Huaneng Power (H/A)	Dec	6.35	1	(23)	235	19,137	0.30	0.45	20.9	14.1	(47)	48	5.3	5.3	-	OP	7.15
1083	Towngas China (P)	Dec	3.80	23	(8)	4	1,884	0.17	0.27	22.4	14.1	113	59	0.0	0.0	-	OP	5.54
1065	Tianjin Capital (H/A)	Dec	2.95	(5)	(22)	17	1,020	0.24	0.00	12.5	0.0	5	0	3.1	0.0	-	U	1.80
2688	Xinao Gas (P)	Dec	13.94	(5)	(10)	12	6,517	0.70	0.81	20.0	17.2	22	16	1.2	1.2	-	MP	12.40
	Average			(0)	(21)	81	95,520	0.43	0.54	21.3	12.1	(3)	40	2.1	1.8			

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RIC	Company	Y/E	Price (29/05/08) (HK$)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (HK$ m)	Free float mkt cap^ (HK$ m)	EPS 08E (HK$)	EPS 09E (HK$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK$)
	Consumer Products																	
1388	Embry Form	Jun	2.84	(11)	(54)	2	286	0.31	0.39	9.2	7.3	0	26	4.2	5.3	Charles Law	OP	6.15
0330	Esprit	Jun	92.60	(4)	(20)	369	95,674	4.37	5.05	21.2	18.3	17	16	3.6	4.1	-	OP	93.00
0420	Fountain Set	Aug	1.37	10	(31)	2	696	0.35	0.42	3.9	3.3	25	20	13.1	15.3	-	U	2.50
0709	Giordano	Dec	3.39	0	(9)	26	4,957	0.22	0.25	15.3	13.6	12	13	6.5	6.5	Frank He	OP	3.80
0393	Glorious Sun	Dec	3.84	(6)	(19)	1	1,830	0.29	0.32	13.2	12.0	21	10	7.6	8.3	Frank He	MP	4.28
0494	Li & Fung	Dec	30.15	(3)	(4)	309	63,650	1.07	1.24	28.2	24.3	23	16	2.9	3.3	-	MP	26.00
0590	Luk Fook Holdings	Mar	5.20	10	(29)	2	1,356	0.49	0.57	10.6	9.1	29	16	4.8	5.6	Charles Law	OP	8.59
1382	Pacific Textiles	Mar	1.62	2	(23)	1	1,207	0.39	0.43	4.2	3.8	0	10	42.6	8.0	Frank He	OP	4.20
0589	Ports Design	Dec	23.95	(4)	(12)	32	8,161	1.01	1.34	23.7	17.9	29	32	2.6	3.5	Frank He	OP	30.50
0178	Sa Sa	Mar	3.20	4	0	5	1,366	0.18	0.22	17.8	14.5	13	22	5.6	6.9	Charles Law	U	2.63
0321	Texwinca	Mar	6.23	6	(11)	10	3,472	0.57	0.72	10.9	8.7	21	26	5.8	6.9	Frank He	OP	7.50
0333	Top Form	Mar	0.58	5	(35)	1	412	0.07	0.11	8.3	5.3	(42)	57	6.9	8.6	Charles Law	OP	1.23
	Average			1	(21)	63	183,067	0.78	0.92	13.9	11.5	12	22	9.3	7.0			
	Consumer Services																	
0341	Café de Coral	Mar	15.68	2	(18)	13	4,358	0.86	1.03	18.2	0.0	26	0	3.6	0.0	Charles Law	OP	20.66
1212	Lifestyle	Dec	14.70	(6)	(30)	47	7,997	0.69	0.78	21.3	18.8	15	13	1.9	2.1	Charles Law	OP	27.61
0052	Fairwood	Mar	8.71	(3)	(19)	1	605	0.82	1.03	10.6	8.5	22	26	4.4	5.1	Charles Law	OP	12.34
0035	Far East Consortium	Mar	2.60	(11)	(41)	7	2,608	0.39	0.72	6.6	3.6	21	84	5.1	9.4	-	MP	4.05
0027	Galaxy Entertainment	Dec	5.82	(1)	(21)	18	5,760	0.02	0.26	291.0	22.4	115	(1,200)	0.0	0.5	-	OP	10.00
0045	HK&S Hotels	Dec	13.50	(0)	(1)	15	8,639	0.68	0.75	19.9	18.0	15	10	1.5	1.7	-	U	15.00
0999	I.T.	Feb	2.38	7	(18)	5	1,116	0.16↓	0.18↓	14.9	13.2	33	13	4.6	3.8	Charles Law	U↓	3.08
0200	Melco Int'l	Dec	10.12	(8)	(14)	68	6,711	0.84	1.40	12.0	7.2	740	66	1.7	2.8	Ashley Cheung	U	13.00
0069	Shangri-La Asia	Dec	22.00	1	(10)	54	28,948	0.65	0.84	34.0	26.1	20	30	1.5	2.0	Kitty Cheung	U	19.80
0242	Shun Tak	Dec	9.47	(10)	(23)	45	8,707	0.33	1.22	28.7	7.8	3	270	1.4	5.2	-	OP	13.50
1836	Stella	Dec	13.70	9	(21)	9	3,071	1.36	1.66	10.1	8.2	19	22	6.8	8.5	Ashley Cheung	OP	21.10
0573	Tao Heung	Dec	2.45	2	(8)	1	1,054	0.25	0.33	9.8	7.4	19	32	6.1	8.2	Charles Law	OP	5.00
	Average			(3)	(20)	27	75,448	0.54	0.82	39.8	6.1	88	(18)	2.6	3.3			
	Financials																	
0662	Asia Financial Hldgs	Dec	3.41	(9)	(20)	1	1,408	0.34	0.37	10.0	9.2	(31)	9	3.8	4.1	K.W. Wong	OP	4.50
0023	Bank of East Asia	Dec	47.60	8	(11)	251	62,726	1.91↓	2.58↓	24.9	18.4	(27)	35	2.7	3.4	K.W. Wong	MP	49.80
2388	BOC HK (R)	Dec	19.90	(1)	(9)	361	71,958	1.51↑	1.63↑	13.2	12.2	3	8	4.7	5.1	K.W. Wong	OP	23.75
1111	Chong Hing Bank	Dec	20.70	9	12	7	2,116	1.22↓	1.40↓	17.0	14.8	5	15	3.3	3.8	K.W. Wong	U↓	19.80
0183	CIFH (R)	Dec	5.60	11	15	40	9,767	0.57↑	0.79↑	9.8	7.1	78	39	1.1	1.8	K.W. Wong	OP	6.20
2356	Dah Sing Banking	Dec	16.24	9	(10)	12	3,781	1.31↓	1.53↓	12.4	10.6	52	17	3.8	4.4	K.W. Wong	OP	17.20
0440	Dah Sing Financial	Dec	65.60	13	(15)	15	5,906	5.96↓	7.09↓	11.0	9.3	42	19	3.2	3.9	K.W. Wong	OP	66.20
0636	Fubon Bank (HK)	Dec	7.76	(12)	62	58	2,274	0.47↑	0.53↑	16.5	14.6	21	13	3.0	3.2	K.W. Wong	OP↑	8.90
0011	Hang Seng Bank	Dec	159.70	2	(1)	452	116,032	8.59↑	8.89↑	18.6	18.0	(10)	3	3.9	4.1	K.W. Wong	U	145.50
0388	HKEx	Dec	134.00	(17)	(39)	1,562	135,375	5.78↓	6.26↓	23.2	21.4	0	8	4.3	4.7	K.W. Wong	OP	175.00
0005	HSBC	Dec	131.20	(2)	(0)	2,855	1,556,911	12.03↓	12.21↓	10.9	10.7	(4)	1	5.9	6.5	K.W. Wong	U	124.40
0349	ICBC (Asia) (R)	Dec	20.90	(3)	(0)	40	7,479	1.78↑	2.08↑	11.7	10.0	24	17	4.5	5.3	K.W. Wong	OP	25.00
1389	Ming An (Holdings)	Dec	1.73	2	(34)	7	1,393	0.09	0.10	20.8	18.9	(64)	11	1.2	1.2	K.W. Wong	OP	1.50
2888	Standard Chartered	Dec	283.00	2	(2)	31	398,331	16.18	19.96	17.5	14.2	4	23	2.5	3.0	K.W. Wong	OP	294.00
0302	Wing Hang Bank	Dec	116.00	14	(1)	41	17,241	6.58↑	6.98↑	17.6	16.6	(4)	6	2.8	3.0	K.W. Wong	MP	102.80
0096	Wing Lung Bank	Dec	147.40	3	54	99	10,772	4.58↓	6.32↓	32.2	23.3	(23)	38	1.6	2.1	K.W. Wong	MP	120.20
	Average			3	1	389	2,402,061	4.57	5.22	17.2	14.7	7	17	3.2	3.7			
	Industrials																	
0057	Cheng Hsong	Mar	3.60	(1)	(23)	1	791	0.56	0.65	6.4	5.5	12	16	7.8	8.9	Charles Law	OP	6.72
0838	EVA Precision Ind.	Mar	2.64	13	(11)	2	855	0.37	0.52	7.1	5.1	68	41	4.2	6.1	Charles Law	OP	4.41
2320	Hop Fung	Dec	1.67	7	(42)	0	269	0.40	0.52	4.2	3.2	43	30	7.2	9.6	Charles Law	OP	4.82
0179	Johnson Electric	Mar	3.94	8	(8)	9	5,935	0.23	0.27	16.8	14.4	0	17	4.0	4.0	-	U	4.00
2314	Lee & Man Paper	Mar	15.36	7	(55)	69	4,006	1.34	2.05	11.5	7.5	33	53	3.1	4.7	Charles Law	OP	30.80
0255	Lung Kee	Dec	3.61	3	2	1	985	0.66	0.84	5.5	4.3	35	27	9.1	11.6	Charles Law	OP	7.90
0635	Playmates	Mar	4.55	1	(40)	1	6,074	0.07	0.09	65.0	50.6	17	29	1.1	1.5	Charles Law	OP	1.31
0669	Techtronic	Dec	7.75	4	(0)	19	9,331	0.83	0.95	9.3	8.2	419	14	2.3	2.6	-	U	7.50
0303	V-Tech	Mar	45.80	8	(18)	25	6,817	6.71	7.65	6.8	6.0	15	14	8.8	10.0	Charles Law	OP	80.48
1223	Symphony	Dec	0.51	6	(39)	1	331	0.14	0.16	3.6	3.2	27	14	19.6	21.6	Charles Law	OP	1.68
0752	Pico Far East	Oct	1.27	13	(41)	5	935	0.16	0.22	7.9	5.8	33	38	7.9	10.2	Charles Law	OP	2.44
0710	Varitronix	Dec	5.00	(5)	(12)	2	1,328	1.00	1.19	5.0	4.2	25	19	10.0	12.0	Charles Law	OP	9.98
0551	Yue Yuen	Sep	22.25	(6)	(21)	56	13,697	2.00	2.42	11.1	9.2	19	21	4.0	4.9	Charles Law	OP	40.38
	Average			4	(24)	15	51,355	1.04	1.26	12.4	9.8	61	26	7.1	8.6			

HK – HK

RIC Company	Y/E	Price (29/05/08) (HK$)	1M chg. (%)	YTD chg. (%)	3M avg. daily T/O (HK$ m)	Free float mkt. cap.^ (HK$ m)	EPS 08E (HK$)	EPS 09E (HK$)	P/E 08E (x)	P/E 09E (x)	EPS gr. 08E (%)	EPS gr. 09E (%)	Yield 08E (%)	Yield 09E (%)	Analyst	Rec	Target price (HK$)
Media																	
0100 Clear Media	Dec	6.90	0	(15)	1	1,801	0.42	0.35	16.3	19.7	57	(17)	0.0	0.0	Allan Ng	OP	8.80
1097 i-Cable	Dec	1.19	(1)	(25)	1	793	0.09	0.09	13.5	13.1	(3)	3	7.1	7.1	Allan Ng	U	1.47
0685 Mingpao	Mar	1.97	(27)	4	1	215	0.11	0.18	17.4	11.1	27	57	4.1	4.6	Allan Ng	OP	1.88
0282 Next Media	Mar	3.34	11	21	1	2,095	0.22↑	0.24↑	15.5	13.7	51	13	7.2	5.4	Allan Ng	OP	4.10
0018 Oriental Press	Mar	1.24	11	(9)	3	1,252	0.08	-	15.3	0.0	5	0	4.9	0.0	Allan Ng	U	1.14
0583 SCMP	Dec	2.64	(4)	(3)	-	2,551	0.24	0.19	11.0	13.7	14	(19)	6.8	6.8	Allan Ng	OP	3.20
0511 TVB	Dec	50.00	13	7	34	14,892	3.34	3.69	15.0	13.6	16	10	4.2	4.9	Allan Ng	OP	59.00
Average			0	(3)	7	23,598	0.64	0.79	14.9	12.1	18	11	4.9	4.1			
Property																	
2778 Champion REIT	Dec	3.66	(9)	(20)	11	3,578	0.15	0.16	24.4	22.9	(86)	7	9.3	8.5	Kitty Cheung	OP	6.00
0001 Cheung Kong	Dec	121.30	(2)	(16)	895	179,808	5.90	9.11	20.6	13.3	(51)	54	2.0	2.2	Manfred Ho	MP	130.80
0041 Great Eagle	Dec	26.10	20	(10)	34	8,627	1.45	1.70	18.0	15.4	(78)	17	2.2	2.6	Kitty Cheung	OP	34.00
0405 GZI REIT	Dec	2.90	(2)	(6)	4	2,001	0.21	0.24	13.8	12.1	(5)	14	7.2	8.3	Kitty Cheung	OP	3.50
0010 Hang Lung Group	Jun	40.85	(4)	(4)	63	34,305	3.64	2.77	11.2	14.7	2	(24)	1.6	1.7	Manfred Ho	MP	39.60
0101 Hang Lung Properties	Jun	29.70	(7)	(16)	264	60,293	2.29	1.70	13.0	17.4	44	(25)	3.2	3.4	Manfred Ho	MP	30.60
0012 Henderson Land	Jun	54.80	(10)	(25)	300	44,720	2.84	2.89	19.3	19.0	(8)	2	2.2	2.2	Manfred Ho	MP	61.00
0014 Hysan	Dec	22.65	2	2	59	13,860	0.83	0.85	27.3	26.6	(2)	2	2.8	2.8	Kitty Cheung	OP	25.48
0683 Kerry Properties	Dec	51.70	(2)	(17)	159	23,909	1.98	2.24	26.2	23.1	3	13	1.9	1.8	Manfred Ho	U	42.10
0823 The Link REIT	Mar	19.32	3	14	135	41,287	0.77	0.87	25.1	22.2	15	13	4.0	4.5	Kitty Cheung	MP	18.60
0017 New World Dev.	Jun	18.76	(9)	(32)	239	44,328	2.00	1.29	9.4	14.5	73	(35)	2.2	2.9	Manfred Ho	OP	22.80
0808 Prosperity REIT	Dec	1.57	(3)	2	2	1,410	0.06	0.05	26.2	31.4	(77)	(17)	8.9	8.3	Kitty Cheung	OP	2.00
0016 SHK Properties	Jun	126.00	(8)	(24)	1,381	177,719	8.31	6.37	15.2	19.8	(2)	(23)	1.9	2.3	Manfred Ho	MP	132.60
0083 Sino Land	Jun	19.46	(5)	(30)	241	44,630	1.25	1.02	15.6	19.1	(8)	(19)	2.0	2.1	Manfred Ho	U	17.00
Average			(3)	(13)	270	680,476	2.26	2.23	18.9	19.4	(13)	(1)	3.2	3.5			
Technology																	
0522 ASM Pacific	Dec	61.30	14	7	44	11,230	3.58	3.71	17.1	16.5	10	4	5.1	5.2	-	OP	65.00
0148 Kingboard	Dec	37.35	4	(20)	76	21,910	3.48	3.89	10.7	9.6	16	12	2.0	2.2	-	U	42.80
2878 Solomon Systech	Dec	0.46	1	(31)	6	1,077	0.06	0.08	7.3	5.8	33	25	10.3	12.0	-	U	0.70
0903 TPV	Dec	5.40	(3)	(5)	21	7,386	0.77	0.93	7.0	5.8	29	20	4.5	5.6	-	OP	7.78
Average			4	(12)	37	41,603	1.97	2.15	10.5	9.4	22	15	5.5	6.3			
Telecoms																	
2332 Hutchison Telecom	Dec	11.12	2	(5)	74	16,323	0.32	0.46	34.8	24.1	742	44	0.9	1.3	Allan Ng	U	11.55
0008 PCCW	Dec	5.10	0	10	96	18,561	0.34	0.34	15.0	15.0	52	0	4.7	5.3	Allan Ng	U	5.67
0315 SmarTone	Jun	8.23	3	13	5	2,389	0.47	0.62	17.6	13.2	72	33	5.8	7.5	Allan Ng	OP	10.60
Average			2	6	58	37,273	0.38	0.48	22.5	17.4	289	26	3.8	4.7			
Transport																	
0066 MTR Corporation	Dec	26.75	(3)	(7)	263	35,122	1.47	1.73	18.2	15.5	(46)	18	1.7	2.0	Manfred Ho	OP	30.90
0316 OOIL	Dec	51.25	18	(11)	73	10,263	6.15	8.48	8.3	6.0	(81)	38	0.3	3.4	Jimmy Lam	OP	56.60
2343 Pacific Basin	Dec	12.60	(13)	0	228	17,364	2.73	2.89	4.6	4.4	21	6	11.1	11.8	Jimmy Lam	OP	19.70
Average			0	(6)	188	62,749	3.45	4.37	10.4	8.6	(35)	20	4.4	5.7			
Utilities																	
0002 CLP	Dec	64.70	3	22	351	109,069	3.99	3.41	16.2	19.0	(10)	(15)	3.8	3.8	-	U	58.00
0003 HK & China Gas	Dec	19.40	(7)	(11)	218	64,020	0.87	0.94	22.3	20.6	(48)	8	1.8	1.8	-	OP	23.50
0006 HK Electric	Dec	47.40	(3)	6	210	61,710	3.60	2.66	13.2	17.8	3	(26)	4.2	3.2	-	U	42.00
Average			(2)	5	260	234,800	2.82	2.34	17.2	19.1	(18)	(11)	3.3	2.9			

China – A

RIC Company	Price (29/05/08) (¥)	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																
002069 Zhangzidao Fishery	31.18	(9)	(35)	59	881	2.86	3.76	10.9	8.3	64	31	4.6	6.0	-	OP	91.50
Average		(9)	(35)	59	881	2.86	3.76	10.9	8.3	64	31	4.6	6.0			
Automotive																
600166 Beiqi Foton Auto	9.27	(11)	(29)	54	4,812	0.52	0.57	17.8	16.3	8	10	1.7	1.8	-	MP	13.00
000625 Chongqing Changan (A/B)	8.32	(9)	(56)	156	4,617	0.62	0.75	13.4	11.1	82	21	2.5	3.7	Eric Hu	OP	13.50
000951 CNHTC Jinan Truck	32.14	(13)	(52)	81	3,737	2.29	2.89	14.0	11.1	3	26	1.4	1.8	Eric Hu	OP	37.60
600006 Dongfeng Automobile	5.21	(8)	(40)	52	4,168	0.31	0.34	16.8	15.3	29	10	1.9	2.9	Wang Yusheng	MP	6.80
000800 FAW Car	14.60	(1)	(24)	181	11,171	0.56	0.69	26.1	21.2	65	23	1.0	1.6	Wang Yusheng	MP	15.90
000927 FAW Xiali	6.31	(11)	(56)	55	2,013	0.25	0.45	25.2	14.0	67	80	1.0	1.4	Wang Yusheng	U	6.75
600660 Fuyao Group Glass Ind.	10.00	(20)	(44)	132	4,615	1.21	1.55	8.3	6.5	32	28	5.0	5.4	Wang Yusheng	OP	26.40
600418 Jianghuai Auto	5.20	(9)	(43)	48	4,357	1.09	1.39	16.0	3.7	18	28	4.4	6.5	Eric Hu	OP	11.50
002048 Ningbo Huaxiang	13.68	23	(6)	61	5,099	0.51	0.80	26.8	17.1	76	57	0.1	0.1	Wang Yusheng	OP	16.00
600303 Shuguang Automotive	8.78	(4)	(43)	38	1,014	0.82	0.91	10.7	9.6	52	11	2.8	3.1	-	OP	16.40
600686 Xiamen King Long Motor	18.77	(11)	(17)	102	5,039	1.28	1.44	14.7	13.0	38	13	1.1	1.2	Eric Hu	OP	25.90
000338 Weichai Power (A/H)	59.25	(7)	(32)	115	10,496	4.56	6.05	13.0	9.8	4	33	0.8	1.0	Eric Hu	OP	90.80
000581 Weifu High Tech	11.89	(11)	(36)	104	4,018	0.60	0.94	19.8	12.6	46	57	1.7	2.5	Wang Yusheng	OP	19.60
600066 Zhengzhou Yutong Bus	16.68	(15)	(37)	73	4,604	1.40	1.65	11.9	10.1	49	18	4.2	5.0	Eric Hu	OP	33.00
Average		(8)	(37)	89	4,983	1.14	1.46	16.8	12.3	41	29	2.1	2.7			
Chemicals																
600299 Blue Star New Materials	33.40	5	(30)	47	5,210	1.48	2.22	22.6	15.0	43	50	0.9	1.0	Ni Xiaoman	OP	66.00
000839 CITIC Guoan	15.26	2	(12)	270	6,666	0.81	1.59	18.8	9.6	40	96	1.0	1.3	Ni Xiaoman	OP	55.60
600426 Hualu Hengsheng	26.55	30	0	101	4,844	1.03	1.58	25.7	16.8	60	53	0.4	0.5	Ni Xiaoman	OP	39.20
000707 Hubei Shuanghuan Sci & Tech	14.17	(2)	4	141	1,493	0.79	0.98	18.0	14.5	286	24	0.7	2.1	Chen Tian	OP★	18.17
000422 Hubei Yihua	22.36	3	(3)	228	3,481	-	-	0.0	0.0	-	-	0.0	0.0	Ni Xiaoman	U	4.00
600423 Liuzhou Chemical	20.11	38	(10)	98	3,124	1.04	1.61	19.3	12.5	70	54	0.4	0.5	Ni Xiaoman	OP	33.30
000792 Qinghai Salt Lake Potash	89.00	4	14	231	34,791	2.97	3.59	30.0	24.8	130	21	1.5	1.6	Ni Xiaoman	OP	104.00
600409 Sanyou Chemical Industries	19.54	(8)	0	226	2,687	1.26	1.39	15.5	14.1	113	10	1.3	2.6	Chen Tian	MP★	25.26
000677 Shandong Hailong	7.39	(9)	(36)	149	3,556	0.38	0.50	19.4	14.7	(43)	32	0.9	1.3	Chen Tian	MP	7.60
600688 Shanghai Petrochem (A/H)	8.52	11	(49)	89	6,134	(0.05)	0.26	(185)	32.6	(121)	(667)	0.0	1.1	Lawrence Lau	U	8.07
000731 Sichuan Meifeng	11.00	(15)	(24)	173	1,843	1.28	1.60	8.6	6.9	27	25	4.9	5.1	Ni Xiaoman	OP	32.00
600500 Sinochem Int'l	13.73	(1)	(38)	149	7,064	0.58	0.68	23.8	20.1	18	18	1.3	1.5	Ni Xiaoman	OP	16.20
600309 Yantai Wanhua	21.80	(12)	(43)	226	14,019	1.23	1.69	17.8	12.9	38	38	2.3	2.8	Ni Xiaoman	OP	36.90
600871 Yizheng Chemical (A/H)	6.20	6	(42)	17	1,240	0.01	0.01	775.0	442.9	(100)	(75)	0.0	0.0	Lawrence Lau	U	3.71
600096 Yuntianhua	-	-	-	38	-	1.77	2.14	-	-	39	21	-	-	Ni Xiaoman	OP	71.80
600352 Zhejiang Longsheng	12.59	(9)	(28)	73	7,886	0.76	0.96	16.7	13.1	16	27	1.7	2.2	Ni Xiaoman	OP	15.16
Average		3	(20)	141	6,936	1.02	1.39	55.1	43.4	41	(18)	1.1	1.6			
Consumer Products																
600429 Beijing Sanyuan	6.93	13	(23)	43	1,474	0.08	-	88.8	0.0	66	-	0.4	0.0	-	U	2.50
000725 BOE Technology	8.65	(14)	(31)	60	18,993	-	-	0.0	0.0	-	-	0.0	0.0	-	U	1.60
600597 Bright Dairy	8.77	(1)	(32)	73	2,102	0.22	0.26	39.9	33.7	10	18	1.6	1.7	-	U	5.50
600737 COFCO Tunhe	23.33	(3)	22	271	9,390	0.36	0.53	64.8	44.0	71	47	0.6	1.1	-	OP	12.60
000651 GREE	41.11	(10)	(17)	179	20,859	1.73	2.25	23.8	18.3	47	30	1.7	2.2	-	OP	32.90
600202 Harbin Air Conditioning	19.08	(7)	(13)	45	1,923	-	-	0.0	0.0	-	-	0.0	0.0	-	OP	10.40
600060 Hisense	8.89	(6)	(33)	52	1,812	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.29
000016 Konka (A/B)	10.69	(1)	20	142	4,565	-	-	0.0	0.0	-	0	0.0	0.0	-	U	2.94
600519 Kweichow Moutai	169.84	(4)	(26)	249	69,247	4.28	5.74	39.7	29.6	43	34	0.9	1.3	Zhao Zongjun	OP	229.60
000568 Luzhou Laojiao	36.60	(1)	(20)	158	16,361	1.68	2.26	21.8	16.2	89	35	2.9	3.9	Zhao Zongjun	OP	72.00
000527 Midea Electric Appliances	17.51	(19)	(29)	135	4,430	1.34	1.45	13.1	12.1	19	8	3.0	3.3	-	U	22.78
600690 Qingdao Haier	15.30	(7)	(47)	183	10,069	0.87	1.06	17.6	14.4	74	22	1.7	2.1	-	OP	17.40
600962 SDIC Zhonglu Fruit Juice	25.09	9	15	61	2,787	0.80	1.02	31.4	24.6	45	0	0.0	0.0	Zhao Zongjun	MP	24.00
600616 Shanghai First Provisions	16.79	(9)	(39)	83	4,179	0.63	0.77	26.7	21.8	29	22	1.6	2.0	-	OP	35.00
600839 Sichuan Changhong	5.99	(13)	(31)	146	7,617	-	-	0.0	0.0	-	-	0.0	0.0	-	U	4.50
600779 Sichuan Swellfun	29.07	(0)	3	204	8,534	0.85	1.35	34.2	21.5	107	59	0.3	0.3	Zhao Zongjun	OP	38.90
000100 TCL Corp	5.36	2	(8)	259	5,330	-	-	0.0	0.0	0	0	0.0	0.0	-	U	1.63
600600 Tsingtao Brewery (A/H)	25.06	(5)	(36)	79	5,907	0.68	0.89	36.9	28.2	58	31	2.7	3.6	Zhao Zongjun	MP	26.69
600870 Xiamen Overseas Electronic	4.03	(10)	(40)	32	611	-	-	0.0	0.0	-	0	0.0	0.0	-	U	3.13
000729 Yanjing Brewery	18.11	(7)	(14)	222	8,765	0.46	0.56	39.4	32.3	24	22	0.9	1.2	Zhao Zongjun	MP	19.60
000869 Yantai Changyu	78.87	0	(8)	28	6,550	1.80	2.33	43.8	33.8	49	29	2.1	2.7	Zhao Zongjun	OP	93.00
000858 Yibin Wuliangye	22.97	(15)	(49)	712	33,047	0.72	1.01	31.9	22.7	57	40	1.3	1.8	Zhao Zongjun	OP	36.00
600887 Yili Industrial	15.83	(1)	(35)	204	5,878	0.96	1.14	16.5	13.9	20	19	2.2	2.5	-	U	24.00
Average		(5)	(21)	157	10,888	1.09	1.51	24.8	16.0	47	23	1.0	1.3			

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RIC	Company	Price (29/05/08) (¥)	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 (¥)
	Consumer Services																
600258	Beijing Capital Tourism	28.59	(12)	(41)	84	2,600	0.30	0.25	95.0	114.4	(43)	(17)	0.4	0.3	Liu Du	U	15.40
600828	Chengdu People's Dept Store	25.74	13	21	13	1,846	0.65	0.83	39.6	31.0	41	28	0.7	1.0	Liu Du	OP	29.05
600693	Fujian Dongbai Group	15.78	12	5	47	3,262	0.43	0.58	36.7	27.2	87	35	0.6	1.1	Liu Du	OP	19.70
000978	Guilin Tourism	13.97	(13)	(40)	17	1,306	0.55	0.69	25.4	20.2	83	25	0.4	0.5	Tracy Feng	OP	28.34
600754	Jinjiang Development (A/B)	12.90	(11)	(36)	29	2,800	0.49	0.54	26.3	23.9	11	10	3.0	3.3	Liu Du	OP	18.30
600832	Oriental Pearl	12.34	(5)	(32)	104	12,429	0.19	0.20	66.0	63.3	36	4	0.4	0.4	Liu Du	U	12.30
600859	Wangfujing Dept Store	41.81	(1)	(17)	55	8,281	1.17	1.53	35.7	27.3	73	31	0.7	0.9	Jenny Zheng	OP	51.20
	Average		(3)	(21)	49	4,041	0.19	0.20	66.0	63.3	36	4	0.4	0.4			
	Energy																
601898	China Coal (A/H)	20.71	8	-	1,044	31,578	0.55	0.81	37.8	25.6	24	48	0.7	0.9	Lawrence Lau	MP	19.95
601808	China Oilfield Service (A/H)	25.21	1	(27)	243	38,642	0.72	0.78	35.2	32.2	32	9	0.7	0.7	Lawrence Lau	MP	22.88
600348	Guoyang New Engery	50.31	19	(6)	268	10,164	1.42	2.10	35.4	24.0	38	48	1.3	1.9	Grace Tang	OP	42.60
000617	Jinan Disesel Engine	16.34	(11)	(57)	67	1,569	0.69	0.76	23.7	21.5	68	10	0.4	0.5	Grace Tang	MP	19.00
600123	Lanhua Sci-Tech	33.51	0	(0)	223	6,289	1.67	1.77	20.1	18.9	18	6	1.5	1.6	Grace Tang	MP	50.00
601699	Lu'an Environmental Energy	79.86	29	11	139	14,289	2.17	3.03	36.8	26.4	42	40	1.2	1.9	Grace Tang	OP	54.30
600583	Offshore Oil Engineering	25.42	6	(2)	112	10,066	-	-	0.0	0.0	0	0	0.0	0.0	Lawrence Lau	NR	-
601857	PetroChina (A/H)	17.72	4	(43)	1,106	70,880	0.63	0.64	28.2	27.8	(16)	2	1.7	1.7	Lawrence Lau	MP	15.95
601666	Pingdingshan Tian'an Coal	46.00	3	(1)	322	13,846	1.54	1.85	29.9	24.9	50	20	1.5	2.1	Grace Tang	OP	43.00
601088	Shenhua Energy	48.52	3	(26)	1,043	86,856	1.31	1.51	37.0	32.1	23	15	0.9	1.0	Lawrence Lau	MP	47.22
600028	Sinopec (A/H)	13.12	15	(44)	927	111,507	0.35	0.62	38.0	21.1	(46)	81	0.7	1.2	Lawrence Lau	OP	13.69
000983	Xishan Coal	53.10	5	(16)	443	30,248	1.53	2.73	34.7	19.5	76	78	1.2	1.9	Grace Tang	OP	48.96
600188	Yanzhou Coal (A/H)	23.84	12	8	335	8,582	1.03	1.50	23.1	15.9	89	45	1.2	1.7	Lawrence Lau	OP	28.92
900948	Yitai Coal (B)	48.36	(0)	(28)	9	16,057	2.45	2.85	19.7	17.0	17	16	0.8	0.9	Grace Tang	U	50.86
	Average		7	(18)	449	32,184	1.23	1.61	28.5	21.9	30	30	1.0	1.3			
	Financials																
600816	Anxin Investment & Trust	24.17	5	(23)	134	7,344	0.73	0.97	20.8	15.6	3,550	33	0.5	0.6	Zhang Jian	OP	29.04
601169	Bank of Beijing	15.16	(8)	(26)	390	13,216	0.84	1.04	18.0	14.6	38	24	2.2	2.8	Yuan Lin	OP	22.00
601988	Bank of China (A/H)	4.73	(7)	(28)	281	70,719	0.31	0.42	15.3	11.3	41	35	2.7	3.8	Yuan Lin	OP	6.80
601328	Bank of Communication (A/H)	8.78	(16)	(44)	463	14,023	0.67	0.79	13.1	11.1	52	18	2.6	3.1	Yuan Lin	MP	11.00
601009	Bank of Nanjing	14.15	(12)	(26)	129	8,833	0.88	1.08	16.1	13.1	47	23	2.0	2.5	Yuan Lin	OP	19.80
002142	Bank of Ningbo	12.77	(10)	(42)	97	7,854	0.63	0.80	20.3	16.0	47	27	1.6	2.1	Yuan Lin	MP	20.00
601998	China Citic Bank (A/H)	6.30	(7)	(38)	107	14,502	0.33	0.39	19.1	16.2	43	18	2.2	2.5	Yuan Lin	MP	8.13
601939	China Construction Bank (A/H)	7.10	(10)	(28)	681	63,879	0.44	0.46	16.1	15.4	47	5	2.8	3.0	Yuan Lin	OP	8.00
600036	China Merchants Bank (A/H)	29.66	(11)	(25)	1,472	215,894	1.62	1.72	18.3	17.2	56	6	1.2	1.3	Yuan Lin	OP	35.00
600030	CITIC Securities	32.70	(11)	(27)	3,401	182,560	1.76	1.84	18.6	17.8	(6)	5	1.2	1.2	Zhang Jian	OP	44.00
600837	Haitong Securities	23.21	(4)	(15)	227	2,865	1.21	1.31	19.2	17.7	(9)	8	0.9	1.3	Zhang Jian	MP	26.20
000562	Hong Yuan Securities	23.56	(16)	(40)	296	12,047	1.31	1.60	18.0	14.7	(10)	22	1.6	2.2	Zhang Jian	MP	24.00
601398	ICBC (A/H)	5.83	(10)	(28)	977	87,240	0.39	0.46	14.9	12.7	63	18	3.6	4.3	Yuan Lin	OP	10.40
601166	Industrial Bank	33.30	(15)	(36)	716	129,870	2.55	2.81	13.1	11.9	46	10	1.4	1.5	Yuan Lin	OP	45.00
600016	Minsheng Bank	7.09	(15)	(38)	803	47,219	0.62	0.62	11.4	11.4	29	0	2.5	2.7	Yuan Lin	MP	15.03
000686	Northeast Securities	27.04	(21)	(47)	182	4,085	2.59	3.22	10.4	8.4	35	24	2.8	3.9	Zhang Jian	OP	48.30
600000	Pudong Bank	27.55	(8)	(32)	1,025	31,279	2.22	2.49	12.4	11.1	127	12	2.1	2.4	Yuan Lin	MP	34.00
601318	Ping An Insurance (A/H)	53.91	(17)	(49)	1,556	62,167	1.20	1.53	44.9	35.2	(41)	28	0.5	0.7	Yuan Lin	MP	63.00
000001	Shenzhen Development	24.95	(11)	(35)	671	43,480	1.76	2.09	14.2	11.9	30	19	1.4	1.7	Yuan Lin	MP	32.00
	Average		(12)	(34)	748	56,248	1.14	1.31	16.4	14.1	35	6	2.0	2.4			

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	Industrials																
600585	Anhui Conch (A/H)	56.73	2	(18)	160	39,089	2.22	2.77	25.6	20.5	31	25	0.8	1.0	Grace Tang	MP	63.00
600761	Anhui Heli	17.31	(12)	(54)	142	3,090	1.12	1.47	15.5	11.8	24	31	2.0	2.5	Eric Hu	OP	43.90
600973	Baosheng Sci & Tech	20.58	(10)	(44)	49	1,766	1.57	2.09	13.1	9.8	54	33	2.3	4.1	-	OP	39.00
601390	China Railway (A/H)	6.61	(13)	(42)	988	30,902	0.21	0.31	30.9	21.6	44	43	0.8	1.2	Patrick Li	OP	8.14
601186	China Railway Construction (A/H)	10.75	(10)	-	-	26,394	0.38	0.55	28.7	19.7	(5)	45	0.9	1.3	Patrick Li	OP	13.18
600970	China Sinoma	63.56	6	6	63	4,987	2.70	3.66	23.5	17.4	79	36	1.2	2.1	Grace Tang	OP	81.00
600150	China State Shipbuilding	99.59	(16)	(60)	372	10,122	9.01	13.81	11.1	7.2	106	53	2.7	4.2	-	OP	345.25
600875	Dongfang Electric Mach. (A/H)	33.10	(17)	(63)	298	2,517	3.18	-	10.4	0.0	4	-	3.6	0.0	-	OP	50.00
002164	Donly Transimission	13.91	(6)	(22)	19	417	0.69	1.20	20.2	11.6	47	74	0.7	1.3	SHI Qi	OP	26.40
601002	Gem-Year Industrial	6.03	(8)	(41)	40	1,246	0.18	0.34	33.5	17.7	100	0	0.7	1.2	SHI Qi	MP	11.90
600685	Guangzhou Shipyard Int'l (A/H)	38.82	(1)	(53)	168	6,239	2.67	3.11	14.5	12.5	46	16	1.4	2.4	-	OP	57.05
000528	Guangxi Liugong Machinery	28.25	(1)	(32)	95	7,467	1.58	2.28	17.9	12.4	32	44	2.1	3.0	Eric Hu	OP	52.50
002175	Guanglu Measuring Inst't	12.62	(2)	(46)	12	183	1.36	2.02	9.3	6.2	60	0	2.4	3.8	Eric Hu	OP	36.00
600312	Henan Pinggao Electric	9.93	16	(39)	58	1,541	0.90	1.20	11.0	8.3	43	33	3.0	4.0	-	OP	22.50
600308	Huatai Paper	20.36	2	(29)	132	7,064	1.33	1.66	15.3	12.2	47	25	1.4	1.5	Ni Xiaoman	OP	40.00
002097	Hunan Sunward Intelligent	30.10	(3)	(47)	86	1,994	0.98	1.47	30.7	20.5	75	50	1.3	2.0	SHI Qi	OP	32.34
600072	Jiangnan Heavy Industry Co	17.88	(19)	(58)	89	3,888	0.28	0.30	63.9	59.6	33	7	0.3	0.3	-	OP	28.00
000666	Jingwei Textile Mach. (A/H)	6.04	(14)	(41)	40	1,373	0.41	0.53	14.7	11.4	27	29	2.0	2.6	-	OP	12.30
600495	Jinxi Axle	13.90	(8)	(44)	17	845	0.69	0.87	20.1	16.0	17	26	1.5	1.9	SHI Qi	OP	26.1
600806	Kunming Machine (A/H)	18.75	(8)	(31)	46	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	23.61	1	6	27	5,770	1.14	2.04	20.7	11.6	63	79	1.9	3.5	SHI Qi	OP	53.04
600406	Nari Technology Dev.	24.99	26	(20)	45	1,950	0.74	0.96	33.8	26.0	28	30	0.9	1.5	-	MP	21.00
600425	Qingsong Building Materials and Chemicals	14.37	(3)	1	74	2,050	0.56	0.88	25.7	16.3	37	57	1.9	3.1	Grace Tang	OP	17.50
600031	Sany Heavy Industry	38.11	7	(33)	181	17,012	2.36	3.20	16.1	11.9	40	36	1.2	1.7	SHI Qi	OP	64.00
600517	Shanghai Zhixin Electric	26.18	7	(7)	34	3,731	1.59	2.76	16.5	9.5	92	0	1.2	3.2	-	OP	64.00
000680	Shantui Construction Mach.	15.76	6	(14)	103	8,519	0.86	1.16	18.3	13.6	34	35	1.1	1.5	SHI Qi	OP	23.20
000837	Shanxi Qinchuan Machinery	7.84	(10)	(30)	19	1,328	0.58	0.70	13.5	11.2	61	21	1.1	1.3	-	OP	20.37
000410	Shengyang Machine Tools	10.03	(10)	(51)	69	3,006	0.33	0.46	30.4	21.8	136	39	0.5	0.7	Eric Hu	MP	11.40
002028	Sieyuan Electric	26.72	(8)	(28)	27	1,413	2.44	3.24	11.0	8.2	38	33	2.7	3.6	-	OP	103.40
000401	Tangshan Jidong Cement	15.40	(8)	(26)	89	7,860	0.65	0.97	23.7	15.9	71	49	4.2	6.3	Grace Tang	OP	20.15
600582	Tian Di Sci. & Tech.	26.17	17	2	35	2,999	1.67	2.29	15.7	11.4	39	37	1.3	1.8	SHI Qi	OP	68.70
002122	Tianma Bearing	58.83	3	(22)	38	2,000	1.85↑	2.97↑	31.8	19.8	97	61	0.7	1.0	SHI Qi	OP	89.10
000877	Tianshan Cement	10.66	8	(6)	37	1,413	0.79	1.30	13.5	8.2	58	65	2.9	4.9	Grace Tang	OP	23.70
600169	Taiyuan Heavy Industry	27.56	(9)	(24)	35	5,229	1.15	1.56	24.0	17.7	51	36	1.3	1.7	-	OP	46.80
600458	Times New Materials	10.37	(12)	(39)	40	1,121	0.32	0.57	32.4	18.2	88	78	0.6	1.1	SHI Qi	OP	17.1
600089	Tebian Electric App. Stock	18.92	9	(24)	227	5,453	0.95	-	19.9	0.0	46	0	3.0	0.0	-	OP	16.25
000425	Xugong Science & Tech.	16.20	17	(27)	80	4,591	0.12	0.15	135.0	108.0	50	25	1.2	1.9	SHI Qi	MP	21.00
000157	Zoomlion Heavy Industry	-	-	-	58	-	2.36	3.31	-	-	35	40	-	-	Eric Hu	OP	66.20
	Average		(2)	(31)	112	6,162	1.39	1.92	24.7	17.4	52	36	1.6	2.2			
	Media																
600037	Beijing Gehua CATV	17.38	(8)	(45)	248	9,672	0.33	0.28	53.1	62.7	(4)	(15)	0.0	0.3	Allan Ng	U	12.50
600825	Xinhua Media	27.86	(1)	(45)	46	4,388	0.92	1.21	30.3	23.1	32	31	1.0	1.3	Liu Du	OP	42.35
	Average		(8)	(45)	248	9,672	0.33	0.28	53.1	62.7	(4)	(15)	0.0	0.3			
	Metals & Mining																
000898	Angang New Steel (A/H)	20.19	(2)	(33)	432	21,322	1.29	1.66	15.7	12.2	15	29	3.2	4.2	Belle Chan	OP	25.00
600019	Baosteel	12.16	(8)	(30)	1,032	57,495	0.69	0.85	17.7	14.4	(5)	23	2.6	2.6	Belle Chan	MP	14.00
601600	CHALCO (A/H)	19.19	(9)	(51)	605	23,740	0.84	0.71	22.8	27.0	(13)	(15)	0.9	1.2	Belle Chan	U	18.00
600357	Chengde Xinxin Vanadium	11.47	(9)	(40)	160	6,697	0.72	1.13	16.0	10.2	62	57	3.5	5.2	Xu Minle	OP★	16.95
601005	Chongqing Iron & Steel (A/H)	7.84	23	(10)	80	2,744	0.38	0.34	20.6	23.1	41	(11)	1.7	1.5	Belle Chan	OP	5.00
000831	Guanlu	9.77	(1)	(42)	177	2,341	1.02	1.42	9.6	6.9	(3)	39	1.0	1.4	Le Yukun	OP	25.60
600362	Jiangxi Copper (A/H)	29.78	(8)	(42)	325	8,621	1.64	1.40	18.2	21.3	17	(15)	1.6	1.4	Belle Chan	OP	35.50
600808	Maanshan Iron (A/H)	7.49	13	(25)	211	4,351	0.34	0.38	22.0	20.0	(3)	10	1.7	1.9	Belle Chan	U	4.10
600282	Nanjing Steel	7.66	(8)	(34)	146	3,441	1.27	1.42	6.0	5.4	15	12	7.4	8.4	Xu Minle	OP	19.00
600219	Nanshan Aluminium	15.16	(9)	(43)	156	7,598	0.97	1.07	7.7	7.0	11	10	1.1	1.2	Le Yukun	OP	17.50
000629	Panzhihua Steel	11.06	8	(25)	356	20,697	0.45	0.70	24.7	15.9	72	55	2.0	3.2	Xu Minle	OP	13.90
600547	Shandong Gold	62.01	9	(27)	325	4,857	6.06	6.32	10.2	9.8	401	4	5.9	6.1	Le Yukun	OP	242.00
000709	Tangshan Iron & Steel	16.42	(8)	(34)	230	18,232	1.19	1.40	13.8	11.7	25	18	3.4	4.0	Le Yukun	OP	23.80
000630	Tongling Nonferrous Matel	14.91	(10)	(41)	148	8,296	0.91	0.95	16.4	15.7	14	4	1.8	1.9	Le Yukun	OP	13.70
000612	Wanfang Aluminium	26.36	(14)	(41)	380	7,592	1.86	1.93	14.2	13.7	31	4	2.1	2.2	Le Yukun	OP	37.20
600005	Wuhan Steel	14.69	(7)	(25)	770	41,450	1.10	1.22	13.4	12.0	32	11	3.3	3.6	Le Yukun	OP	19.70
600888	Xinjiang Joinworld	15.81	(0)	(41)	38	2,115	0.69	1.00	22.9	15.8	15	45	0.4	0.6	Le Yukun	OP	17.30
000807	Yunnan Aluminium	13.55	0	(44)	132	6,082	0.62	0.64	21.9	21.2	9	3	3.2	3.3	Le Yukun	U	11.20
000960	Yunnan Tin	31.90	(1)	(42)	373	8,223	1.54	2.06	20.7	15.5	38	34	0.5	0.7	Le Yukun	OP	37.50
	Average		(2)	(35)	317	13,760	1.22	1.36	16.3	14.6	41	16	2.6	3.0			

China – A

RIC	Company	Price (29/05/08) (¥)	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 (¥)
	Pharmaceuticals																
600085	Beijing Tongrentang	22.01	(4)	(37)	62	4,299	0.72	0.88	30.6	25.0	22	22	1.4	1.7	-	MP	28.70
000423	Dong-E E-Jiao	29.15	3	(10)	82	10,692	0.60	0.65	48.6	44.8	50	8	1.2	1.7	-	OP	35.50
600332	Guangzhou Pharm. (A/H)	14.72	14	(14)	44	1,552	0.53	0.51	27.8	28.9	56	(4)	1.0	1.1	-	OP	19.60
600276	Jiangsu Hengrui Medicine	39.50	6	(17)	31	9,874	1.08	1.38	36.6	28.6	13	28	1.0	1.2	-	OP	61.50
600535	Tianjin Tasly Pharm.	15.49	(7)	(30)	44	3,326	0.53	0.66	29.2	23.5	47	25	1.5	1.9	-	MP	21.20
600351	Yabao Pharmaceuticals	14.26	(0)	(17)	40	1,710	0.57	0.80	25.0	17.8	68	40	0.0	1.7	He Changming	OP★	20.00
000538	Yunnan Baiyao	27.60	(1)	(20)	80	5,210	0.83	1.11	33.3	24.9	34	34	0.9	1.2	-	OP	41.50
	Average		1	(21)	55	5,238	0.69	0.86	33.0	27.6	41	22	1.0	1.5			
	Property																
000043	CATIC Real Estate	11.98	(12)	(44)	14	1,337	0.94	1.22	12.7	9.8	38	30	3.1	4.1	Zhou Lu	MP	16.31
600675	China Enterprise	10.08	(14)	(44)	334	6,997	0.76	0.84	13.3	12.0	36	11	2.3	2.5	TIAN Shixin	OP	14.00
000024	China Merchants Prop (A/B	18.20	(15)	(54)	248	5,490	1.82	2.79	10.0	6.5	33	53	2.0	3.5	TIAN Shixin	MP	45.50
000002	China Vanke (A/B)	19.22	(17)	(33)	1,883	113,053	1.21	1.69	15.9	11.4	70	40	1.2	1.8	TIAN Shixin	OP	36.30
600067	Citichamp Dartong	10.27	(7)	(42)	45	3,606	1.16	1.70	8.9	6.0	170	47	0.7	1.0	Zhou Lu	MP	13.13
000402	Financial Street	9.91	(5)	(35)	296	10,109	0.80	1.21	12.4	8.2	18	51	3.2	4.8	Zhou Lu	OP	29.00
600383	Gemdale	11.37	(16)	(44)	244	6,391	0.99	1.48	11.5	7.7	71	49	6.9	10.5	TIAN Shixin	OP	24.70
600325	Huafa Indsutrial Share	15.91	(14)	(6)	174	9,842	0.87	1.45	18.3	11.0	53	67	1.1	1.8	TIAN Shixin	OP	26.10
600048	Poly Real Estate Group	17.27	(20)	(47)	433	15,033	1.29	2.36	13.4	7.3	111	83	1.0	1.9	TIAN Shixin	OP	32.00
000069	Overseas Chinese Town	13.53	(11)	(46)	257	7,816	0.94	1.49	14.4	9.1	65	59	2.1	3.3	TIAN Shixin	OP	69.00
000006	Shenzhen Zhenye Group	11.76	(5)	(10)	123	2,720	1.35	2.36	8.7	5.0	32	75	4.6	8.0	Zhou Lu	U	17.61
	Average		(12)	(37)	368	16,581	1.10	1.69	12.7	8.5	63	51	2.6	3.9			
	Technology																
600183	Shengyi Sci-Tech	8.84	(6)	(44)	89	3,366	0.79	-	11.2	0.0	23	0	3.4	0.0	-	OP	10.05
000970	Zhong Ke San Huan High-Tech	9.18	(5)	(32)	60	2,050	0.37	0.41	24.8	22.4	6	11	1.2	1.3	-	U	12.95
000063	ZTE (A/H)	69.40	22	9	223	33,978	1.79	2.37	38.8	29.3	56	33	0.4	0.5	Allan Ng	OP	68.00
	Average		4	(23)	124	13,132	0.98	1.39	24.9	17.2	28	14	1.7	0.6			
	Telecoms																
600050	China Unicom (A/R)	9.74	12	(19)	1,421	91,381	0.24	0.29	40.4	33.9	19	19	0.9	1.0	Allan Ng	MP	11.00
	Average		12	(19)	1,421	91,381	0.24	0.29	40.4	33.9	19	19	0.9	1.0			
	Transport																
601111	Air China (A/H)	12.29	(12)	(55)	660	15,840	0.50	0.50	24.6	24.6	58	0	1.2	0.8	Du JianPing	OP	18.63
600012	Anhui Expressway (A/H)	6.16	(9)	(33)	30	2,861	0.44	0.45	14.1	13.7	40	3	3.1	3.1	Patrick Li	MP	7.42
600026	China Shipping (A/H)	28.30	(9)	(24)	205	13,178	1.96	2.34	14.4	12.1	42	19	2.6	3.1	Jimmy Lam	OP	43.00
000039	CIMC (A/B)	14.83	(9)	(43)	209	18,160	1.25	1.38	11.8	10.7	5	10	3.6	3.9	Jimmy Lam	OP	20.05
601006	Daqin Railway	15.84	2	(38)	357	41,213	0.58	0.68	27.5	23.4	22	18	2.9	3.4	Patrick Li	OP	20.37
600033	Fujian Expressway	8.17	(9)	(14)	168	2,337	0.71	-	0.0	0.0	26	0	0.0	0.0	Patrick Li	OP	8.29
601333	GS Railway(A/H)	5.14	(10)	(45)	166	9,358	0.21	0.26	24.5	19.8	5	24	1.8	1.9	Patrick Li	MP	5.40
600004	Guangzhou Baiyun Airport	13.51	(16)	(36)	50	6,712	0.50	0.60	27.1	22.7	38	19	1.9	2.2	Du JianPing	OP	19.01
600035	Hubei Chutian Expressway	6.25	(5)	(26)	30	2,424	0.39	0.49	16.2	12.9	34	26	3.2	3.2	Patrick Li	OP	7.70
600377	Jiangsu Expressway (A/H)	7.12	(13)	(32)	36	2,511	0.43	0.52	16.6	13.8	35	21	4.8	5.8	Patrick Li	OP	8.63
600269	Jiangxi Ganyue Expressway	12.46	(13)	(32)	84	7,713	0.98	1.20	12.7	10.4	4	22	2.3	2.9	Patrick Li	OP	18.63
600350	Shandong Expressway	6.80	(16)	(32)	56	4,534	0.40	0.46	16.9	14.8	16	14	2.6	3.1	Patrick Li	OP	10.05
600009	Shanghai Airport	22.10	5	(41)	252	22,039	0.82	0.88	27.0	25.1	(7)	7	1.1	1.2	Du JianPing	OP	29.56
600018	Shanghai Port	6.26	(6)	(31)	110	3,162	0.86	-	7.3	0.0	19	-	7.5	0.0	-	U	16.50
000089	Shenzhen Airport	7.77	(4)	(39)	65	5,074	0.36	0.38	21.6	20.7	9	4	2.6	2.7	Du JianPing	MP	9.58
600548	Shenzhen Expressway(A/H)	7.45	(13)	(41)	41	1,625	0.35	0.52	21.4	14.4	13	49	2.4	3.8	Patrick Li	MP	9.05
600125	China Railway Tielong	6.95	(7)	(37)	59	4,055	0.40	0.38	17.4	18.3	18	(5)	0.0	0.0	Patrick Li	MP	8.91
000900	Xiandai Investment	22.80	(7)	(33)	141	6,415	1.59	1.98	14.3	11.5	7	25	3.8	4.7	Patrick Li	OP	30.19
600320	Zhenhua Port Machinery	14.22	(10)	(44)	190	15,961	0.82	1.05	17.4	13.5	31	29	1.5	2.0	Jimmy Lam	OP	19.00
	Average		(8)	(34)	125	9,407	0.72	0.85	17.1	14.3	22	16	2.6	2.6			
	Utilities																
600008	Beijing Capital	10.03	(13)	(53)	224	7,723	0.34	-	29.5	0.0	13	0	2.0	0.0	-	MP	4.74
600900	China Yangtze Power Corp	14.65	12	(25)	383	46,776	0.62	0.65	23.6	22.5	7	5	1.9	2.4	YU Nian	OP	15.50
601991	Datang Intl Power (A/H)	12.44	(10)	(40)	113	7,538	0.17	0.33	72.7	37.8	(43)	92	1.0	1.0	-	MP	13.80
600795	GD Power Dev	7.87	16	(10)	411	8,218	0.63	0.72	12.5	10.9	24	14	1.9	2.3	-	OP	15.30
000539	Guangdong Electric	8.60	17	(40)	65	3,430	0.37	0.40	23.2	21.5	12	8	2.2	2.2	-	U	11.80
600027	Huadian Power (A/H)	5.86	4	(38)	62	6,686	0.23	0.28	25.5	20.9	15	22	1.0	1.0	-	U	5.30
600011	Huaneng Power(A/H)	9.63	7	(35)	87	4,644	0.27	0.40	35.7	24.1	(47)	48	3.1	3.1	-	OP	10.00
600323	Nanhai Development	13.52	0	(14)	32	1,808	-	-	0.0	0.0	0	0	0.0	0.0	-	OP	10.07
600886	SDIC Huajing Power	9.42	4	(43)	109	6,417	0.74	0.80	12.7	11.8	17	8	2.2	2.7	Yu Nian	OP	18.50
600649	Shanghai Water	11.62	9	(42)	215	6,568	0.23	-	50.5	0.0	(0)	0	0.8	0.0	-	U	4.11
600642	Shenergy	11.20	0	(36)	162	9,038	0.66	-	17.0	0.0	6	0	2.9	0.0	-	OP	6.74
000027	Shenzhen Energy	11.01	(8)	(55)	116	5,294	0.72	0.75	15.3	14.7	4	4	3.2	3.2	-	U	14.40
600874	Tianjin Capital (A/H)	11.10	(11)	12	389	1,772	0.21	-	52.9	0.0	5	0	0.7	0.0	-	U	2.27
000767	Zhangze Electric	6.21	(3)	(50)	66	1,475	-	-	0.0	0.0	0	0	0.0	0.0	-	U	4.03
	Average		2	(33)	174	8,385	0.43	0.54	26.5	11.7	1	14	1.6	1.3			

Germany

RIC	Company	Price (29/05/08) (€)	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	10.28	11	(30)	0	56	1.45	1.90	7.1	5.4	77	31	1.0	1.9	Charles Law	OP	14.48
	Average		11	(30)	0	56	1.45	1.90	7.1	5.4	77	31	1.0	1.9			
	Transport																
ZEF	Zhong De Waste Tech.	28.70	9	(13)	1	119	2.11	2.56	13.6	11.2	27	21	0.0	0.0	Frank Lai	OP	36.10
	Average		9	(13)	1	119	2.11	2.56	13.6	11.2	27	21	0.0	0.0			

Singapore

RIC	Company	Price (29/05/08) (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	0.99	(11)	(35)	3	424	0.05	0.06	21.1	15.8	23	33	2.3	3.0	Frank Lai	OP	1.91
	Average		(11)	(35)	3	424	0.05	0.06	21.1	15.8	23	33	2.3	3.0			

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)
^: Represents total figures, while others are averages
★ Initiating 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

	Description	Date
Economic data (China)		
CPI	May 08	12/06
Retail Sales	May 08	13/06
VAIO	May 08	16/06
FAI	May 08	17/06
Economic data (Hong Kong)		
Unemployment	May 08	17/06
CPI	May 08	20/06
GDP	2Q08	15/08
Retail Sales	May 08	02/06
Results announcements (Hong Kong)		
Mingpao (0685.HK)	FY08	5/29/2008
Johnson Electric (0179.HK)	FY08	6/6/2008
The Link REIT (0823.HK)	FY08	6/6/2008
TPV (0903.HK)	1Q08	6/11/2008
V-Tech (0303.HK)	FY08	6/20/2008
Yue Yuen (0551.HK)	1Q08	6/20/2008
Sa Sa (0178.HK)	FY08	6/28/2008
Oriental Press (0018.HK)	FY08	6/29/2008

Recently Published Research

Date	Title	Sector	Author(s)	Tel.	Email
26-May	Hong Kong Banks	FINANCIALS - Banks	K.W. WONG	(852) 2905 2120	kwokwai.wong@bocigroup.com
23-May	JinJiang Development	Consumer Svs - Hotel	LIU Du	(8621) 6860 4866 ext 8511	du.liu@bocigroup.com
22-May	SDIC Zhonglu Fruit Juice	Consumer Prod. - F & B	ZHAO Zongjun	(8621) 6860 4866 ext 8510	zongjun.zhao@bocigroup.com
14-May	Huaqiao In The Middle Kingdom	Monthly	Anthony LOK	(852) 2905 2108	anthony.lok@bocigroup.com
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5-May	China Cement	Industrials	Grace TANG	(8610) 9922 9077	qian.tang@bocigroup.com
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22-Apr	China Railway Construction	Industrials	Patrick LI	(8610) 6622 9073	pan.li@bocigroup.com
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13-Mar	Huaqiao In The Middle Kingdom	Monthly	Anthony LOK	(852) 2905 2108	anthony.lok@bocigroup.com
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7-Mar	China Coal	Energy - Coal	Lawrence LAU	(852) 2905 2130	lawrence.lau@bocigroup.com
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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 - Mis.	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
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5-Feb	Huaqiao In The Middle Kingdom	Monthly	Anthony LOK	(852) 2905 2108	anthony.lok@bocigroup.com
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18-Jan	Nanjing Iron and Steel	Metals & Mining – I & S	XU MinLe	(8621) 6860 4866 ext 8589	minle.xu@bocigroup.com
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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	(8621) 6860 4866 ext 8507	song.hu@bocigroup.com
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8-Jan	Huaqiao In The Middle Kingdom	Monthly	Anthony LOK	(852) 2905 2108	anthony.lok@bocigroup.com
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2-Jan	Gome Electric Appliances	Con. Services - Retail	Ashley CHEUNG	(852) 2905 2102	ashley.cheung@bocigroup.com
11-Dec	Huaqiao In The Middle Kingdom	Monthly	Anthony LOK	(852) 2905 2108	anthony.lok@bocigroup.com
	- December 07		CHENG Manjiang	(8610) 9922 9128	mj.cheng@bocigroup.com

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