

Huaqiao in the Middle Kingdom

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Key Market Indices

	Value	1M	YTD
HSI	22,863	6.7	(17.8)
HSCEI	12,545	11.4	(22.2)
HSCCI	4,736	0.9	(22.5)
MSCI HK	10,573	1.7	(24.4)
MSCI China	64	6.9	(25.6)
FTSE-Xinhua A50	10,240	4.4	(49.9)
Shanghai A	2,939	5.0	(46.8)
Shenzhen A	876	3.6	(42.4)

	P/E (x)		EPS (chg %)	
	08E	09E	08E	09E
HSI	15.0	13.5	(7.3)	11.1
HSCEI	13.9	12.2	16.6	14.0
HSCEI ex oil	14.0	12.3	21.0	14.3
MSCI HK	15.7	15.2	(23.2)	3.4
MSCI China	14.2	13.5	14.9	14.9
FTSE-XinhuaA50	15.4	13.9	22.2	10.6

Sources: Bloomberg, BOCI Research



China-HK recommended stocks:

In – Fushan Energy, Datang International Power.
Out – Xinjiang Xinxin Mining, CNBM.

HK-HK recommended stocks:

In – Hang Seng Bank, Yue Yuen Industrial.
Out – HKEx, Stella International (1/2).

China-A recommended stocks:

In – SDIC Huajing Power, China Life.
Out – Beijing Bank, Xinjiang Tianshan Cement.

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)	-	-	23	-	-	(48)	-	-	8	-	-	-	China Green	-	None
Automotive (8,0,17)	4	-	6	(39)	-	(56)	7	-	10	MP	-	MP	Denway	-	King Long
Chemicals (4,0,18)	1	-	2	(34)	-	(17)	15	-	25	MP	-	MP	Sinofert	-	Y. Wanhua
Consumer - F & B (10,0,17)	3	-	4	(18)	-	(19)	9	-	14	MP	-	OP	Xiwang Sugar	-	Swellfun
Consumer - Durables (2,0,12)	1	-	3	(4)	-	(14)	2	-	10	MP	-	OP	Haier	-	Haier
Consumer - Textiles (3,11,1)	1	3	0	(5)	(4)	(1)	3	17	1	U	MP	-	Ports Design	Lifestyle	None
Consumer Services (7,11,7)	2	(4)	1	(19)	(33)	(30)	10	17	36	U	MP	OP	GOME	Shun Tak	Beijing Tour
Energy (10,0,12)	3	-	3	(26)	-	(41)	12	-	20	OP	-	OP	Fushan	-	Pingdingshan
Financials (12,15,19)	11	7	8	(16)	(7)	(43)	23	14	15	OP	MP	MP	ICBC	Hang Seng	ICBC
Industrial (15,14,39)	11	5	5	(20)	(24)	(35)	20	10	20	OP	OP	-	CCC	Pico	CRCC
Media (3,7,6)	3	0	(5)	(27)	(8)	(43)	14	13	22	U	MP	U	None	Next Media	None
Metals & Mining (11,0,19)	(4)	-	(5)	(37)	-	(49)	15	-	9	OP	-	OP	Xinxin	-	Shandong Gold
Pharmaceuticals (4,0,15)	(5)	-	6	(3)	-	(18)	2	-	18	OP	-	OP	TRT	-	Yabao
Property (11,14,15)	11	7	5	(30)	(27)	(50)	13	15	12	OP	MP	MP	COLI	MTRC	Gemdale
Technology (9,4,6)	3	2	(0)	(19)	(17)	(12)	11	11	19	OP	U	OP	Lenovo	ASM Pacific	Shengyi Sci
Telecoms (4,4,1)	3	2	(4)	(22)	(8)	(46)	17	13	23	MP	U	MP	China Mobile	SmarTone	China Unicom
Transport - Aviation (5,2,9)	1	(0)	1	(6)	(7)	(15)	2	3	4	MP	-	MP	Air China	-	SIA
Transport - Land (6,2,11)	1	(0)	1	(7)	(7)	(18)	3	3	5	OP	MP	OP	Shenzhen Exp	None	Dagjin Railway
Transport - Marine (7,2,8)	1	(0)	1	(9)	(7)	(13)	3	3	4	OP	U	OP	COSCO Pac	Pacific Basin	CSD
Utilities (10,3,16)	0	(3)	(2)	(33)	6	(50)	17	16	22	OP	U	OP	Datang	HK & C Gas	SDIC Huajing

(-,.) 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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Vote For Me and I'll Kiss Your Baby Too!

"Hey, I won the election. I don't have to kiss babies anymore." — Clint Eastwood, actor and former mayor of Carmel-by-The-Sea, 1986-1987

Politicians Kissing Babies the Right Way... ... And the Wrong Way



Source: Democratic Presidential Candidate Barack Obama



Source: United States President George W. Bush

Over a decade ago, at the peak of my career, I managed to squeeze into the top five among regional banking analysts. I also discovered that I was ranked even higher as a "diversified financials" analyst. Originally, I thought this was because of the few non-bank financial companies I also covered, but it turns out that "diversified financials" actually meant "conglomerates". It was about this time that I lost all faith in analyst rankings and surveys. I may have lost faith, but my boss has not, so I ask loyal *Huaqiao* readers to please vote for us in the Asiamoney survey (deadline 22 August) for Regional, China, and Hong Kong at: www.asiamoney.com. Thanks for your support and I will kiss your baby, too, if you vote for us!

Strategist – Anthony LOK.

Economist – CHENG Manjiang.

Banks – YUAN Lin, K.W. WONG.

Conglomerates – Charles LAW, Frank LAI.

Consumer Discretionary – Eric HU, Ashley CHEUNG, LIU Du.

Consumer Staples – ZHAO Zongjun, Jenny CHAN.

Energy – Lawrence LAU, Grace TANG.

Materials – Belle CHAN, LE Yukun, NI Xiaoman.

Real Estate – Manfred HO, TIAN Shixin, Kitty CHEUNG.

Technology – Frank HE.

Telecommunication Services – Alan NG.

Transportation – Jimmy LAM, Patrick LI, DU Jianping.

Utilities – YU Nian, Peter YAO.

Where's the Pork? (Part 2)

"Some may worry that inflation will result in runaway prices for food at restaurants and at supermarkets. While this may be the case, I will not be surprised to see if you also find that your Taiwan beef noodles with a few slices less beef than it did a year ago or that the size of your gaozi (pork dumplings) becoming smaller." — Huaqiao, February 2008

Before I move on to meatier issues, I want to touch on a topic I wrote about last February. Put simply, inflation always comes in two forms; the obvious one is price rises and the less obvious one is declining size and/or quality of products. On 24 July 2008, Coca-Cola reduced the size of its beverages in Hong Kong from 355ml to 330ml. The shrinkage was touted as simply adjusting can size to be in line with the most common one found elsewhere, the 8% decline in volume was not accompanied by any decline in price. I am surprised that Coke did not try to spin this news by billing it as the "new improved Coke with 8% less calories".

The New Way to Make Coke "Lite"



Source: Hong Kong Standard

Bigger Words – Smaller Product



Source: Consumerist.com

It is not just Coke that is doing this. Even my 10-year-old daughter noticed that the number of pork ribs in her "pai gu fan" at dim sum had noticeably declined. And the shrinkage is not limited to food products. As you can see above, the "new" and "giant"-sized Brawny kitchen towels look the same, but, in fact, the total amount of paper per roll has dropped from 75sqft to 67sqft, a decline of 11%. This optical illusion is achieved by increasing the diameter of the cardboard roll around which the paper is wound. However, fear not gentle readers, *Huaqiao* will not play such dirty tricks and after many complaints that the text of this little red book was too small and painful to read, I have increased the font size to 10 from 8.5 – for FREE.

Sell When BusinessWeek's Cover Says Buy

"Until now, the flight of institutional money from the financial markets has been merely a trickle. But it could turn into a torrent if this year's 60% increase in oil prices touches off a deep recession while pushing inflation sky-high." – BusinessWeek Magazine

By now, long-time readers know that I love to play a game that I like to call "guess the quote" just to show you that history always repeats itself. This time is no exception, as I left off the date of the above *BusinessWeek* quote on purpose. At first glance, this quote could easily be from 13 August 2008 and not look out of place. In fact, this quotation was from the infamous 13 August 1979 issue of *BusinessWeek* with the cover story, "The Death of Equities" (see picture below).

Now, the point of this is not to pick on a bad call by *BusinessWeek* (despite the old Wall Street adage that you should sell when *BusinessWeek* says buy), but to gain some insight into what is in store for us over the next few years as far as stock investing goes. Before I go into that, I must say that the old Wall Street adage probably does have some sliver of truth. Note that 3 July 1996 cover of *BusinessWeek* titled "Our Love Affair with Stocks" was basically the opposite of what the magazine exhorted in 1979, while its 14 February 2000 cover story "The Boom" was even more ill-timed given that the markets and the technology bubble collapsed shortly after, while the US economy went into a recession.

Selected BusinessWeek Covers



13 August 1979



3 June 1996



14 February 2000

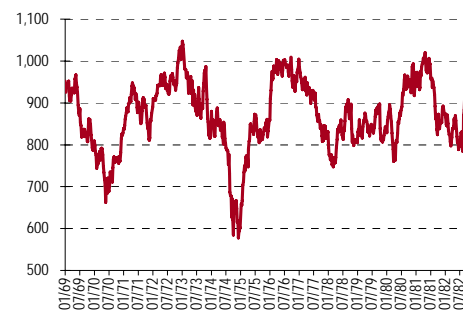
Source: BusinessWeek

It is increasingly popular for market commentators to make comparisons between the current environment and that of the 1970s. This is understandable and logical because, on the surface, many events today seem to bear an uncanny resemblance to what happened 30 years ago. We now have a spike in oil prices, inflationary pressure sweeping global economies and the spectre of stagflation rearing its ugly head as was the case when Carter was in the White House. But before we go and dust off our polyester leisure suits (or Mao suits), hang disco balls on our ceilings and start listening to 8-track tapes, there are major differences, as well.

First, and most importantly, the inflation of today is almost entirely due to rising commodity prices and, so far at least, has not resulted in a wage-price spiral given the uncertainty in the US economy and rising unemployment. Thus, while inflation (and stagflation) is still a danger, it is not entrenched enough (yet) to become a self-fulfilling prophecy. The same cannot be said of China, where inflation is much higher and broader in scope with wages still showing substantial upward pressure. However, as I have argued before, the higher inflation rate in China going forward is perfectly normal for a rapidly developing economy and I do not see a major systemic threat, as long as GDP growth remains relatively robust (i.e. over 8%).

My best guess is that the US economy is in for a longer and deeper recession than that seen in 1989-90 and that recovery will be a long and protracted ordeal taking at least five, maybe 10, years; similar to what we saw in the 1970s. In between, we will have many powerful bear-market rallies, similar to what the Japanese saw over the past 15 years. As hope springs eternal and investors try to bottom fish following substantial declines. If you bought US equities in the late 1960s and held them to 1980, your return would have been basically zero. Equally, if you bought US equities in 2000 and still hold them, your return will be roughly zero, too.

Dow 1969 to 1982



Source: Bloomberg

Dow 2000 to 2008



Source: Bloomberg

In any case, this is what *BusinessWeek* predicted in 1979: “[The] ‘death of equity’ can no longer be seen as something a stock market rally – however strong – will check. It has persisted for more than 10 years through market rallies, business cycles, recession, recoveries, and booms... For better or for worse, then, the US economy probably has to regard the death of equities as a near-permanent condition -- reversible some day, but not soon... For investors, however, low stock prices remain a disincentive to buy. The only stocks that have done well recently have been hyper-growth stocks such as energy-related, gambling, high-technology, or fast-growing small companies. A decade ago, by contrast, the entire equity market was perceived as an inflation hedge. Then, in the early 1970s, large growth stocks, especially the so-called “nifty fifty” were in vogue as inflation fighters--until the 1974 recession dealt them a blow from which they have yet to recover. In short, the financial markets are so eccentric that for more than 10 years the largest returns have come from taking the fewest risks. Indeed by constantly rolling over short-term paper, investors have beaten returns on stocks and bonds...”

A recent *Economist* article echoes pretty much the same sentiments. “At first blush, shares ought to be a good hedge against inflationary pressures. After all, inflation is a rise in the price of goods and services, and businesses make those goods and services. Their revenue should thus keep pace in real terms. In the jargon, equities are a real asset and bonds a nominal one... Why have shares been such a flimsy hedge? It was not that profits failed to keep pace with prices... But simply keeping up with cantering inflation was not really good enough. As a share of GDP, American business profits fell from 12.2% in 1965 to 6.4% in 1982. They never touched that low again, rising fairly steadily to reach a temporary peak of 10.5% of GDP in 1997, before dropping sharply during the dotcom bust to 7.6% in 2001 and climbing smartly again to 11.8% in 2006. Investors reacted to this long profits cycle by adjusting the stock-market rating. In the 1970s shares were savagely downgraded, with price/earning ratios falling to single-digit levels. That explains the stock market’s dismal performance.”

Combining the two, we have a nasty situation where, although US equities have been a bust for investors for the past eight years, valuations are still in the teens versus the single-digit P/E multiples seen at the end of the 1970s. Throw in falling property prices, collapsing consumer confidence and unprecedented high levels of personal debt and it is hard to be optimistic even on a 12-18 month horizon. Across the Atlantic, things are hardly better as UK property prices (along with other frothy markets like Spain and Ireland) have begun to collapse and the British have personal debt levels even higher than their Yankee cousins.

Stuck Between a Northern Rock and a Hard Place

“Once is bad luck, twice is a coincidence, three times is a trend.”

Despite an amber rainstorm warning, hundreds queued overnight outside the Bank of China building in Hong Kong on 14 July. But there are good queues and there are bad queues. In the case of Hong Kong, the long lines were of punters trying to get their hands on Bank of China’s commemorative HK\$20 Olympic banknotes. Similar queues were seen around China earlier in July for the six million Rmb10 commemorative Olympic banknotes that the PBoC issued.

‘Good’ Queue – Bank of China (HK)



Source: Xinhua

‘Good’ Queue – Nanjing



Source: China Daily

In the case of Northern Rock in the UK and Indymac in the US, the lines were of depositors anxious to get their money out before the entities collapsed.

‘Bad’ Queue – Northern Rock (UK)



Source: Daily Mail

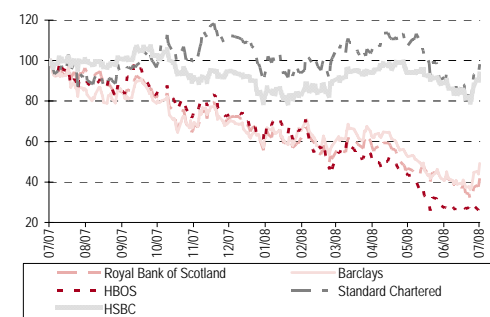
‘Bad’ Queue – IndymacBank (USA)



Source: LA Times

Once upon a time, during the Asian financial crisis, it was vogue for Hong Kong fund managers to buy HSBC and Manulife (listed in Hong Kong) because you knew that, even though the rest of Asia was going to hell-in-a-handbasket, these companies would do relatively better, given their larger overseas exposure. Likewise, with the US property market and economy (along with the UK) now going down the tubes, what do you do if you are a UK pension fund manager trying to hide from trouble? Rather than suffer from the exposure to domestic American or British banks, one would be tempted to put money on the two banks that are listed in London, but have substantial overseas operations – namely HSBC and Standard Chartered Bank. As the charts below illustrate, it is clear that these two banks have outperformed their domestic high street peers in the UK. Also, it is clear that the Chinese banks have done better than these two, given their strong earnings growth and relative immunity from the sub-prime crisis. I imagine this trend continues for a while longer and that, even with its problems, HSBC's share price holds up reasonably well vis-à-vis its US and UK peers.

HSBC & StanChart vs. UK Banks



Source: Bloomberg

One of our New York salesmen told me that the stuff about China in my strategy pieces was very useful, but that there was too much about the US which his clients found less interesting. I beg to differ as I think that rather than listen to the same US-based strategist drone on about the same things; it probably makes sense to solicit an “outside” opinion, as well. One of the most profound phrases I heard during the Asian Financial Crisis was from my previous strategist at Nomura, who said that, “people who live in the bubble never realise that it’s a bubble”. In fact, I have been looking for a 30-40% decline in average American housing prices since last August (happy anniversary), while most domestic US market observers have been eyeing a shallow and short-lived correction. While some think that the worst of the crisis is over, I think we are only halfway through.

Why talk about the US so much? Simply because it matters so much, even for us who invest in China. Like the proverbial butterfly flapping its wings in the Amazon, events far away can have an impact on events unfolding at home. Admittedly, I am not an expert on the US economy, but, given the fact that almost none of the leading gurus, including the Federal Reserve, seems to have a better track record of predicting the current financial and economic crisis, I might as well take a shot. In fact, I might be better at looking at crisis than the gurus in the canyons of Manhattan as I seem to have a knack of running into them. I graduated from university into the last recession in 1989-90 as the S&L crisis gripped the country and even mighty Citibank was taken to the mat. Then, I managed to go to Sweden in 1993-94 following their property bubble and currency collapse. I arrived in Hong Kong in late 1994, just in time for the short (Fed inspired) market downturn, but managed to see two years of frothy bubble before the Asian Crisis swept the region in 1997-98. I will not even go into the 2000 tech bubble or SARs in 2003. Yes, my career has been plagued by one financial crisis after another, which makes me just a little bit more cautious (just because I am paranoid does not mean the world really is not out to get me) than most. This means that, although China and Hong Kong will likely perform better than the developed economies, fighting such a strong headwind is unlikely to be easy and markets are unlikely to recover substantially.

So, what to do for the remainder of this year and into 2009? Well, the first major market trigger is the interim results that will begin this month. As I wrote in last month's strategy, we expect petrochemicals and power generators to post major losses, while banks are expected to show major gains. I also said I would take a short-term bet on steel companies, which should post substantial earnings gains, although it seems that some clients disagree with this. I remain positive on telecoms, coal, gold, food & beverages, retail and consumption plays in general (although many are still not really cheap).

In terms of sector allocation, I think that we are approaching the time where it makes sense to start cutting weight in the Chinese banking sector and start to take fresh positions in the bombed-out insurance sector. We know that many of the banks will post earnings gains of 50% or more, while the insurance companies will take heavy losses on their investment portfolios given the collapse of the domestic A-share market in 1H08. Although the best timing is probably immediately after the results where strong earnings will likely push banking shares up and horrible results will shove insurance stock prices down, as I can only adjust my model stock picks once a month, I will do so now in advance of the earnings announcements.

Our house view is also that headline Chinese CPI is going to ameliorate over the next few months as food price inflation starts to come down. As I wrote last month, this will give the government the opportunity to raise prices for electricity and refined petroleum products more as the inflationary impact from such a move will be partially offset by declining food prices. We believe that such a move is likely to happen over the next few months and, as a result, there is likely to be a sharp recovery in the share prices of petroleum companies and independent power producers (IPPs).

While the magnitude of such a move is still uncertain, I am going to go out on a limb and guess that it will be larger than the rise that we saw in June (BOCI is currently estimating a general rise of about 10-15% in electricity prices). Although it may not be enough to offset completely the severe margin pressure (in reality losses) that these two industries are suffering, I think it will be enough to bring them both back to a breakeven level.

Technically, both refineries and power producers will benefit, but I think that the electricity companies will benefit more as they are posting massive losses without the benefit of the strong earnings of upstream oil and gas to offset group earnings. As such, we think that investors should start to take positions on IPPs in anticipation of an increase in electricity tariffs over the next few months.

The direct downstream impact will be most severe on aluminium smelting, for which electricity and energy are the largest cost components of production ranging between 35-50% of total expenses. However, since we do not like the aluminium sector in any case, it does not change the equation much. Cement will also be adversely impacted as electricity accounts for a quarter or more of total production costs (coal being the other major cost, but the price of which has already risen substantially). Between the two, "energy" accounts for over 60% of the cost of cement production.

We have been relatively bullish on construction materials, given that fixed-asset investment is still growing robustly in China. However, as most of the construction material companies are heavily skewed towards cement, rising power prices are likely to have a substantial adverse impact, especially since the sector has performed relatively well compared to most others. We, thus, have become more cautious on the cement sector from a strategic point of view and reduce our weighting in advance of any major announcement of an increase in electricity prices.

China – HK Strategy

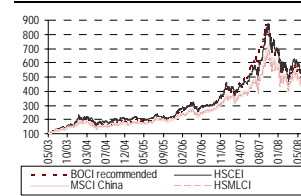
Performance Comparison

	% Change	Since
	1M	YTD
		Incept*
BOCI recommended	6 (30)	390
MSCI China	7 (26)	338
HSMLCI	6 (21)	350
HSCEI	11 (22)	438

* Inception May 2003

Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

- We add Fushan Energy because, after the recent acquisition of three mines, it has become the largest coking coal producers in Hong Kong. Compared with thermal coal, coking coal has tighter supply, better demand profile. The stock also looks cheap, trading at less than 7x 2009E earnings.
- We add Datang International Power as we expect better 1H08 results than its peers thanks to its diversification and less reliance on coal supply. Positive developments on its upstream coal mines, downstream coal ventures and hydropower business are likely to lift valuation for this integrated energy player.
- We remove Xinjiang Xinxin Mining (XXM) as the price of nickel has fallen 13% since end-June and is down year on year. After two years of rapid growth, the mainland stainless steel market faces oversupply, with excess inventory to be digested. We expect XXM to post 1H08 earnings decline. Trading at a mid-teen P/E, we believe the stock is fully valued.
- We remove CNBM because we see a margin squeeze for its cement operations on higher energy costs, albeit less significant increases in cement prices.

BOCI China-HK Recommended Stocks

	RIC	Last price	3M avg. daily T/O	Free float	P/E	Yield		% Chg.		Date	Wgt				
		(HK\$)	(HK\$ m)	(HK\$ m)	(x)	FY07	FY08E	FY09E	FY08E	FY09E	1M	YTD	Since rec.	rec.	(%)
Fushan Energy	639.HK	5.65	33	8,527	32.8	6.6	0.0	6.2	11	13	0	1-Aug-08	4		
Datang Power	991.HK	4.72	218	6,762	13.8	24.3	12.5	2.9	2.9	16	(34)	0	1-Aug-08	4	
Maanshan Iron & Steel	0323.HK	4.91	146	8,627	12.3	8.6	8.3	4.2	4.2	14	(11)	14	4-July-08	7	
Angang Steel	0347.HK	15.5	272	13,794	12.1	10.4	8.1	4.8	6.2	8	(31)	8	4-July-08	6	
Lenovo	0992.HK	5.54	209	24,030	39.4	13.9	12.9	2.8	4.2	(1)	(23)	(5)	29-May-08	3	
China Mobile	0941.HK	105.8	3,466	537,598	21.3	17.2	15.8	2.8	3.1	(1)	(24)	(8)	29-May-08	6	
Gome Elec. Appliances	0493.HK	3.47	112	25,312	21.1	15.5	12.5	2.5	2.5	0	(32)	(22)	03-Apr-08	2	
China Coal	1898.HK	13.82	649	56,804	23.6	14.7	10.4	1.4	1.9	5	(45)	(7)	03-Apr-08	3	
Wumart Stores	8277.HK	7.44	8	5,010	26.5	20.1	16.2	1.5	3.1	14	13	25	07-Mar-08	5	
China Green	0904.HK	8.12	18	3,870	17.8	16.6	13.7	1.7	2.0	(6)	(3)	(4)	07-Mar-08	4	
ICBC	1398.HK	5.9	1,737	262,105	21.6	12.6	11.5	4.3	4.6	11	4	16	07-Mar-08	10	
CNOOC	0883.HK	11.64	1,917	149,549	14.2	10.2	10.0	3.0	3.0	(13)	(13)	(1)	01-Feb-08	3	
Anta Sports Products	2020.HK	6.14	27	4,281	21.5	19.2	13.1	2.6	3.7	6	(44)	(45)	04-Jan-08	4	
Shanghai Jinjiang Hotel	2006.HK	1.78	7	2,910	26.2	17.6	14.0	2.5	3.1	(4)	(47)	(51)	04-Jan-08	5	
Xiwang Sugar	2088.HK	2.7	2	932	5.4	4.2	3.4	7.1	8.9	(0)	(21)	(12)	07-Dec-07	5	
Sino-Ocean Land	3377.HK	5.23	132	7,866	11.9	11.3	7.5	3.5	5.2	8	(46)	(64)	02-Nov-07	4	
China Everbright	0165.HK	14.62	180	10,617	4.6	12.2	11.8	0.8	0.8	(3)	(41)	(39)	07-Sep-07	5	
Beijing Enterprise	0392.HK	28.85	42	10,469	17.3	17.5	14.1	1.4	1.4	18	(24)	16	01-Jun-07	3	
Tong Ren Tang Tech	8069.HK	9.85	1	810	9.0	7.8	6.5	5.1	6.1	(6)	(33)	(36)	30-Apr-07	3	
CR Power	0836.HK	17.18	163	27,870	19.5	19.7	16.2	1.6	1.7	(4)	(38)	374	7-Jan-04	8	
Cash (incl. dividends)															5
Total															100
Stocks Removed or Reduced from the BOCI China-HK Recommended List															
Xinjiang Xinxin Mining	3833.HK	3.78	10	2,606	9.0	14.4	10.7	2.4	3.3	(10)	(59)	(62)	07-Dec-07	2	
China National Material	1893.HK	6.66	64	7,753	29.8	27.9	18.8	1.1	1.6	14	(31)	(8)	09-May-08	5	

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

Sources: Bloomberg, BOCI Research estimates

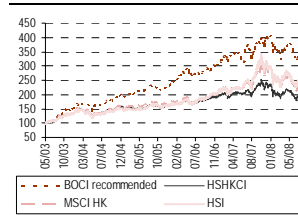
Hong Kong Strategy

Performance Comparison

	% Change 1M	Since YTD	Since Incept*
BOCI recommended	(1)	(20)	229
MSCI HK	2	(24)	124
HSHKCI	4	(17)	94
HSI	7	(18)	146

* Inception May 2003.
Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI HK-HK Recommended Stocks

	RIC	Last price (HK\$)	3M avg. daily T/O (HK\$ m)	Free float mkt cap (HK\$ m)	P/E (x)	Yield (%)	% Chg.	Wgt (%)						
					FY07	FY08E	FY09E	FY07E	FY08E	1M	YTD	Since rec.	Date rec.	
Hang Seng Bank	11.HK	158.60	422	114,917	16.6	17.7	17.4	4.0	4.2	4	(3)	0	1-Aug-08	7
Yue Yuen	551.HK	20.40	49	12,876	12.1	10.5	9.3	4.2	4.9	11	(27)	0	1-Aug-08	7
Sa Sa International	178.HK	3.49	8	1,487	23.3	17.5	12.9	6.0	7.7	5	9	5	4-Jul-08	3
PCCW	8.HK	4.89	99	17,796	21.8	15.6	14.2	4.9	5.5	1	6	1	4-Jul-08	3
Lee & Man Paper	2314.HK	9.10	42	2,681	9.0	7.2	5.3	2.9	4.7	(13)	(74)	(41)	29-May-08	3
Stella International	1836.HK	4.17	4	1,087	11.0	8.5	7.3	6.0	7.0	22	(43)	(19)	9-May-08	8
Luk Fook	0590.HK	13.94	12	3,125	12.2	10.3	8.4	6.7	8.4	3	(20)	17	9-May-08	6
Dah Sing Financial	0440.HK	60.30	16	5,429	14.4	10.1	8.5	3.5	4.2	(2)	(22)	9	3-Apr-08	2
Lifestyle	1212.HK	11.30	38	6,147	18.8	16.4	14.5	2.5	2.7	13	(47)	(42)	1-Feb-08	8
Clear Media	0100.HK	5.10	0	1,331	18.4	11.3	14.8	0.0	0.0	(24)	(35)	(22)	1-Feb-08	5
Ports Design	0589.HK	20.80	29	7,088	26.1	20.3	15.3	3.1	4.1	(1)	(23)	(26)	4-Jan-08	5
MTR Corporation	0066.HK	25.15	152	32,654	9.3	17.8	15.8	1.8	2.0	4	(14)	(21)	4-Jan-08	5
GZI REIT	0405.HK	2.83	4	1,953	12.9	13.5	11.8	7.4	8.5	1	(8)	(10)	5-Oct-07	10
Next media	0282.HK	2.25	2	1,406	16.0	10.5	9.6	10.7	7.1	(24)	(18)	(16)	29-Jun-07	6
Standard Chartered Bank	2888.HK	235.00	45	330,770	15.2	14.5	11.8	3.0	3.7	4	(22)	8	9-Mar-07	8
HK & China Gas	0003.HK	17.48	161	57,684	10.5	20.1	18.6	2.0	2.0	(5)	(21)	76	23-May-03	5
Cash (incl. dividends)														11
Total														100

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

Huaqiao in the Middle Kingdom

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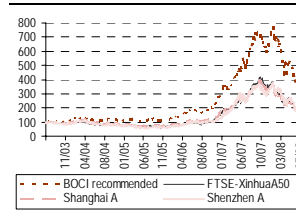
China - A Strategy

Performance Comparison

	% Change 1M	Since YTD	Since Incept.*
BOCI recommended	1	(45)	291
Shanghai A	5	(47)	84
Shenzhen A	4	(42)	97
FTSE-XinhuaA50	4	(50)	81

* Inception May 2003
Sources: Bloomberg, BOCI Research

Relative Performance



Source: BOCI Research

BOCI China-A Recommended Stocks

	RIC	Last price (Rmb)	3M avg. daily T/O (Rmb m)	Free float mkt cap (Rmb m)	P/E (x)	Yield (%)	% Chg.	Wgt (%)						
					FY07	FY08E	FY09E	FY07E	FY08E	1M	YTD	Since rec.	Date rec.	
SDIC Huajing Power	600886.SS	7.51	92	5,116	11.9	10.1	9.4	2.8	3.3	(4)	(54)	0	1-Aug-08	3
China Life	601628.SS	26.23	561	39,345	26.5	30.1	24.2	1.3	1.6	(17)	(56)	0	1-Aug-08	3
Wuhan Iron & Steel	600005.SS	9.25	558	26,101	11.1	8.4	7.6	5.3	5.7	(3)	(56)	(3)	4-Jul-08	2
Tangshan Iron & Steel	000709.SZ	6.05	241	6,718	6.4	5.1	4.3	9.3	10.9	(5)	(64)	(40)	4-Jul-08	2
Yabao Pharmaceutical	600351.SS	14.20	33	1,703	41.8	24.9	17.8	0.0	1.7	7	(19)	(0)	29-May-08	3
Shuanghuan Sci & Tech	000707.SS	11.84	181	1,247	58.0	15.0	12.1	0.8	2.5	(5)	(16)	(16)	29-May-08	2
Fujian Dongbai	600693.SS	14.85	37	3,070	64.6	34.5	25.6	0.6	1.1	2	(1)	(7)	9-May-08	9
Chengdu People's Department Store	600828.SS	17.86	11	1,281	38.8	27.5	21.5	1.1	1.4	(0)	(10)	(15)	3-Apr-08	5
Qinghai Salt Lake Potash	000792.SS	88.12	89	34,447	68.3	29.7	24.5	1.5	1.6	0	13	6	3-Apr-08	6
Yantai Wanhua	600309.SS	19.47	157	12,521	21.9	16.1	12.0	2.6	3.1	2	(50)	(5)	7-Mar-08	5
Sichuan Swellfun	600779.SS	23.01	113	6,755	56.1	28.8	16.4	0.3	0.4	7	(18)	(19)	4-Jan-08	11
Shanghai Jinjiang Dev.	600754.SS	13.21	24	2,868	30.0	27.0	24.5	3.0	3.3	10	(35)	(38)	4-Jan-08	4
Long Yuan Construction	600491.SS	7.43	27	1,792	15.1	11.0	8.3	1.5	1.8	2	(41)	(33)	02-Dec-07	5
Wangfujing Dept Store	600859.SS	36.14	58	7,172	53.3	30.9	23.6	0.8	1.1	(5)	(29)	(19)	02-Dec-07	2
Shandong Gold Mining	600547.SS	52.51	345	8,225	87.5	17.3	16.6	3.8	4.0	(6)	(38)	(69)	02-Nov-07	3
Pingdingshan Tian'an Coal	601666.SS	25.32	285	7,621	24.6	14.3	9.3	3.1	4.8	(24)	(49)	(29)	07-Sep-07	8
ICBC	601398.SS	5.15	561	76,721	21.5	12.6	11.4	4.3	4.7	7	(38)	8	9-Feb-07	3
Qingdao Haier	600690.SS	15.30	126	10,069	30.6	17.6	14.4	1.7	2.1	17	(53)	242	8-Sep-06	6
Kweichow Moutai	600519.SS	159.04	139	64,844	53.0	37.2	27.7	0.9	1.3	13	(32)	992	20-Jun-03	10
Cash (incl. dividends)														4
Total														100

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

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China Economy

- China's Gross Domestic Product (GDP) growth decelerated to 10.4% YoY in 1H08 from 12.2% YoY in 1H07 and 10.9% YoY in 1H06. In 2Q08, the GDP grew 10.1% YoY, down from 10.6% YoY in 1Q08 and 12.9% YoY in 2Q07. It was the first time that China's GDP growth saw such a substantial decline since 2005. Although it is widely believed that China cannot sustain the high GDP growth seen during the past three years, the deceleration in 2Q08 has drawn the close attention of different levels of the government. Recently, a State Council meeting called for China to maintain stable economic growth and curb inflation.
- Theoretically, there is paradox between pursuing high GDP growth and combating inflation. In practice, this is the first time since the exchange rate reform on 21 July 2005 that the government has had to consider the benefits of exporters. The Ministry of Finance (MoF) recently announced the revision of the value-added tax (VAT) rebate for textile exports to 13% from 11% effective 1 August 2008. The government had, in fact, lowered the VAT rebate for textile exports to 11% effective 1 July 2007, in an effort to reduce China's huge trade surplus. We see the lowering of the VAT rebate for textile exports as one of the most important moves to adjust the unbalanced economic growth model. As a result of the policy adjustment in July 2007 and a faster appreciation of the renminbi, there was a slowdown textile and garment exports, although these products remained the biggest contributors to China's trade surplus in 1H08. Although the reversal in the policy needs further observation to ascertain its impact, we doubt if it will help in the transition of China's economic growth model.
- At the same time, the renminbi appreciation trend also reversed suddenly. The exchange rate of the renminbi against the US dollar hit historical high of 6.8198 on 17 July 2008, which translated to an appreciation of 7.1% from the level at end-2007. However, the renminbi started to depreciate from 22 July and closed at 6.8423 on 1 August, down 0.34% from the level on 17 July. Although the depreciation went hand in hand with the appreciation of US dollar, it also followed the State Council meeting on 15-16 July. The renminbi stopped appreciating (not depreciating) in 1H08, under pressure from other factors. Unlike the performance in May, the renminbi saw a real depreciation after stronger calls for action on concerns over the difficulties that exporters faced.

- Therefore, the trend of renminbi exchange rate has become really come into focus. The renminbi appreciated 21% between 20 July 2005 and 1 August 2008, while, on real trade-weighted basis, it appreciated 15%. If we consider the high inflation in 2008, the Chinese currency actually appreciated much less than. As the productivity and competitiveness of China exporters continue to rise, the renminbi, in terms of the real trade-weighted exchange rate, remains undervalued, as evident in the fact that "net exports and services" still account for a large proportion of GDP (11.3% of GDP in 2007 and expected to be more than 7% in 2008). Although China's export have started to slow down due to the high bases of comparison, the country's excessive reliance on exports as GDP growth drivers remains unchanged. Therefore, if China stops the appreciation of the renminbi, it will again fail to address the push for balanced economic growth. From that point of view, we reiterate our projection of 10% YoY appreciation of renminbi in the current year.
- Looking again at the growth driver, the proportion of investments to GDP has kept on rising in the recent years, due to the continuing low real or negative interest rates. Low lending rates contribute to an excess demand for loans and, thus, the high share of investments in GDP. Low deposit rates have depressed the growth in household income far below the levels that would have been achieved with less financial repression. China will find it hard to change to more consumption-driven growth as long as household income continues to decline as a percentage of GDP. Previously, the authorities were reluctant to adjusting interest rates upwards for fear of attracting even more speculative capital inflows, while China has, at least, has maintained a relatively faster appreciation of the renminbi. This means that, if the renminbi stops appreciating, China will, inevitably, face the situation of a negative real interest rate.
- Following its meeting on 15-16 July, the State Council issued a statement on its goal to "strike a balance between short-term and long-term development targets, as it is more important to create conditions for stable growth in 2009 and 2010, although growth this year cannot be neglected". We understand that policymakers also face some difficulties in achieving a right policy mix. We have heard already heard of some short-term rescue measures, but have yet to see a long-term strategic policy package. We still expect the government to unveil such a package as President Hu Jintao has continued to emphasise "reform" as the only way for China to maintain stable long-term development.

China Monthly Economic Indicators (2006-2008)

	2006	2007	2008E	Jun07	Jul	Aug	Sep	Oct	Nov	Dec	Jan08	Feb	Mar	Apr	May	Jun
Real economy (YoY %)																
GDP*	11.1	11.4	10	11.9	-	-	11.5	-	-	11.2	-	-	10.6	-	-	10.1
VAIO (Real)	16.5	18.5		19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8	15.7	16	16
- Light industry	17.0	19.6		17.5	15.9	14.6	16.4	14.4	14.3	15.2	-	11.8	15.7	12.1	13.5	13.3
- Heavy industry	15.3	16.3		20.2	18.9	18.8	20	19.4	18.6	18.4	-	16.9	18.7	17.2	17	17.1
Industrial sales ratio (%)	97.5	98.1		97.63	98.42	98.52	98.24	98.3	98.06	98.1	-	97.5	98	97.8	98	97.5
FAI* (YoY %)	27.5	25.8	26	29.7	26.6	26.7	26.4	26.9	26.8	25.8	-	24.27	25.9	25.7	25.6	26.8
- Property	26	30.2		35.5	28.9	29.0	30.3	31.4	31.8	-	-	32.9	32.3	32.1	31.9	33.5
Retail sales*	13.5	16.8	18.5	16.0	16.4	17.1	17.0	18.1	18.8	20.2	-	20.2	21.5	22	21.6	23
External sector																
Exports (US\$ bn)	969.1	1218	1,386	103.27	107.74	111.36	112.48	107.72	117.62	114	109.7	87.37	109	118.7	120.5	121.5
Export growth (YoY %)	27.2	25.7	13.8	27.01	34.11	22.69	22.8	22.23	22.7	21.6	26.7	16.8	31	21.8	28.1	17.6
Imports (US\$ bn)	791.6	956	1099	76.36	83.39	86.38	88.57	80.67	91.34	91.7	90.2	78.81	95.6	102	100.29	100.18
Import growth (YoY %)	20.0	20.8	15	14.3	26.87	20.02	16.1	25.46	25.25	25.5	27.6	30.9	25	26.3	40	31
Trade balance (US\$ bn)	177.5	262	287	26.91	24.36	24.98	23.91	27.05	26.3	22.7	19.5	8.56	13.4	16.7	20.21	21.35
FDI* (US\$ bn)	63.0	74.8	62	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93	9.29	7.6	7.76	9.61
Money supply (YoY %)																
M0	12.65	12.1	13.5	14.54	15.05	15.04	13.01	13.43	13.56	12.05	31.21	5.96	11.12	10.7	12.88	12.28
M1	17.48	21	17.7	20.92	20.94	22.77	22.07	22.21	21.67	21.01	20.72	19.2	18.25	19.05	15.33	14.19
M2	16.94	16.7	15.5	17.06	18.48	18.09	18.45	18.47	18.45	16.72	18.94	17.48	16.29	16.94	18.07	17.37
Deposit rate, 12M (%)	2.25	4.14	4.85	3.33	3.6	3.87	3.87	3.87	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14
Lending rate, 12M (%)	6.12	7.47	8.01	6.84	7.02	7.29	7.29	7.29	7.47	7.47	7.47	7.47	7.47	7.47	7.47	7.47
FX reserves* (US\$ bn)	1066.3	1530	1907.9	1332.6	1385.2	1408.6	1433.6	1,455	1,497	1,528	1,590	1,647	1,682	1,757	1797	1,809
Inflation (YoY %)																
National CPI	1.5	4.8	7	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3	8.5	7.7	7.1

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

Value Added Industrial Output (VAIO)

	2007						2008						
YoY %	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
VAIO	19.4	18.0	17.5	18.9	17.9	17.3	17.4	15.4	15.4	17.8	15.7	16	16
Heavy industry	20.2	18.9	18.8	20.0	19.4	18.6	18.4	15.5	16.9	18.7	17.2	17	17.1
Light Industry	17.5	15.9	14.6	16.4	14.4	14.3	15.2	15.6	11.8	15.7	12.1	13.5	13.3

Source: NBS

According to the National Bureau of Statistics (NBS), China's value-added industrial output (VAIO) grew 16% YoY in June, the same as in May. For 1H08, the VAIO rose 16.3% YoY, down sharply from the increase of 18.5% YoY in 1H07.

Breaking down the sectors, the VAIO of textiles rose 12.4% YoY in June from 12.1% YoY in May. The VAIO of raw chemical materials climbed 14.1%, that of smelting and pressing of ferrous metals grew 15.1% YoY, and that of smelting and pressing of non ferrous metals edged up 16.7% YoY in June, from corresponding increases of 11.9% YoY, 12.8% YoY and 15.6% YoY in May. Meanwhile, growth of VAIO of non-metal mineral products decelerated to 18.1% YoY in June from 18.7% YoY in May and 21.5% YoY in April. At the same time, the VAIO of ordinary machinery climbed 20.6% YoY, while that of special machinery rose 21.3% YoY, and that of transport equipment surged 20.5% YoY, compared to corresponding increases of 21.7% YoY, 21.8% YoY and 22.9% YoY in May. For electronics and communications equipment, VAIO growth decelerated to 15.4% YoY in June from 19.5% YoY in May.

Fixed Asset Investments (FAI)

	2007						2008							
YTD %	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Feb	Mar	Apr	May	Jun
Total FAI	-	-	27.8	26.6	26.7	26.4	26.9	26.8	25.8	24.3	25.9	25.74	25.6	26.8
Urban FAI	25.5	26.7	27.5	26.6	26.7	26.4	26.9	26.8	25.8	24.3	25.9	25.74	25.6	26.8
Urban FAI / Total FAI, %	-	-	85	-	-	85.5	-	-	85.6	-	83.9	-	-	85.4
- Primary Industry	29.2	35.8	37.5	46.2	42.9	41.1	39.9	37.6	31.1	77	80.8	71.6	66.1	69.5
- Secondary Industry	27.4	28.9	29.0	28.9	29.5	29.3	29.6	29.7	29	26.1	25.9	25.9	25.6	26.6
- Tertiary Industry	24.0	23.5	24.6	24.5	24.3	24.0	24.7	24.4	23.2	22.6	25.3	24.9	25	26.2
- Property	27.4	27.5	31.3	28.9	29.0	30.3	31.4	31.8	32.2	32.9	32.3	32.1	31.9	33.5

Source: NBS

According to NBS data, China's urban Fixed Asset Investment (FAI) picked up 26.8% YoY in 1H08, compared to the rise of 25.6% YoY in 5M08. Meanwhile, central investments rose 18.9% YoY and local investments grew 27.6% YoY in 1H08, up from the increases of 18.5% YoY and 26.4% YoY, respectively, in 5M08.

FAI in the primary industries jumped 69.5% YoY in 1H08, 3.4ppts higher than the 66.1% YoY in 5M08. For the secondary and tertiary industries, FAI rose 26.6% YoY and 26.2% YoY, respectively, in 1H08, up strongly from the corresponding increases of 25.6% YoY and 25.0% YoY in 5M08. Breaking down the industries, FAI in coal mining grew 42.0% YoY in 1H08, down from 47.0% YoY in 5M08, while that in oil and gas mining rose 19.8% YoY in 1H08, compared to 17.1% YoY in 5M08. Meanwhile, growth of FAI in the mining, smelting and pressing of ferrous metals rebounded to 27.5% YoY in 1H08 from 24.5% YoY in 5M08 and 25.3% YoY in 4M08. For mining, smelting and pressing non-ferrous metals, FAI picked up 46.7% YoY in 1H08, 5.2ppts higher than 41.5% YoY in 5M08. FAI in the property sector grew 33.5% YoY in 1H08, compared to 31.9% YoY in 5M08.

The slight pick-up of FAI in June was probably due to a surge in government investments in quake-stricken Sichuan Province, areas affected by floods in South China, as well as the policy housing system. However, a surge in input costs, shrinkage of industrial profits and strict lending curbs may have begun to have a negative effect on FAI especially in the property sector. In addition to the above negative factors, the property sector is also likely to face pressure from a sharp decline in home sales. We are concerned that the negative factors may have an adverse impact in the future if the property sales keep on shrinking.

Retail Sales

YoY %	2007							2008					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Feb	Mar	Apr	May	Jun	
Retail sales	16.0	16.4	17.1	17.0	18.1	18.8	20.2	20.2	21.5	22	21.6	23	
Urban	16.5	16.7	17.6	17.5	18.6	19.2	20.5	20.8	22.1	22.9	22.3	23.5	
Rural	14.2	15.8	16.1	16.09	17.1	18.0	19.6	18.9	20.2	20.1	20.1	22	

Source: NBS

NBS data shows that retail sales in China grew 23.0% YoY in June, 1.4ppts higher than the increase of 21.6% YoY in May. Breaking down the segments, retail sales of grain and oil grew 33.1% YoY in 1H08, and those of meat, poultry and eggs went up 28.9% YoY in 1H08, down from corresponding increases of 38.1% YoY and 31.3% YoY in 1Q08. The slower price rises were mostly to blame the decline in retail sales of the above two items. Meanwhile, sales of clothing climbed 25.6% YoY in 1H08, up from 24.3% YoY in 1Q08. In 1H08, sales of sport and recreational goods rose 20.8% YoY, while those of household appliances surged 18.3% YoY, and those of daily used goods edged up 19.2% YoY in 1H08, down from growths of 21% YoY, 22.5% YoY and 19.5% YoY, respectively, in 1Q08. Due to the large price hikes, sales of petroleum and related products jumped 44.4% YoY in 1H08, 1.9ppt higher than 42.5% YoY in 1Q08. At the same time, growths of retail sales for communications equipment and automobiles decelerated to 3.5% YoY and 33.4% YoY in 1H08 from 3.7% YoY and 37.1% YoY, respectively, in 1Q08.

The better sales growth was mainly due to the inflationary effect. However, we believe the existing inflationary pressure may harm consumption growth. Also, the easing in household income growth in real terms can have a similar negative effect. NBS data shows that the disposable income per capital of urban households rose 14.4% YoY in 1H08, down sharply from the increase 17.6% YoY in 1H07. This was probably because many urban households suffered huge loss on investments in the stock markets, as well as having to pay higher income tax rates due to the inflationary effect. If we exclude the price increase, the disposable income in real terms only increased 6.3% YoY in 1H08, lower than the rise of 14.2% YoY in 1H07.

Foreign Trade

YoY %	2007							2008						
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Export	28.7	27.0	34.2	22.7	22.8	22.2	22.8	21.6	26.7	16.8	31	21.8	28.1	17.6
Import	19.1	14.3	26.9	20.1	16.1	25.5	25.3	25.5	27.6	30.9	25	26.3	40	31
Trade balance (US\$ bn)	22.5	26.9	24.4	24.98	23.9	27.1	26.28	22.7	19.5	8.56	13.4	16.7	20.2	21.4

Source: NBS

According to the State Administration of Customs (SAC), China's exports rose 17.6% YoY in June 2008, down sharply from 28.1% YoY in May and 21.8% YoY in April. Meanwhile, imports grew 31% YoY, 9ppts lower than the rise of 40% YoY in May. At the same time, China's trade surplus surged to US\$21.35bn in June from US\$20.2bn in May, mainly because of the larger drop in imports relative to exports.

According to the SAC, exports of garments grew 3.4% YoY in 1H08, down sharply from 9.3% YoY in 5M08 and 11.7% YoY in 4M08. Meanwhile, growth of footwear exports edged down to 12.5% YoY in 6M08 from 12.7% YoY in 5M08. For steel products, export value increased 12.9% YoY in 1H08, higher than the rise of 10.6% YoY in 5M08. Yet, the export quantity registered a decrease of 20.2% YoY in 6M08, compared to decline of 20.8% YoY in 5M08. Obviously, the price hikes offset the quantity decline. In 1H08, exports of mechanical and electrical equipment rose 25.4% YoY, down from the increase of 26.1% YoY in 5M08, while those of high-technology products grew 21.8% YoY in 1H08, compared to jump of 22.2% YoY in 5M08.

SAC data for 1H08 shows that China's imports of commodities were quite strong, although the growth rates fell slightly. The strong demand from China partly fuelled the boom in international commodities, which, in turn, caused the consecutive acceleration of China's imports of such products. According to the SAC, the import quantity of iron ore picked up 22.5% YoY in 1H08 from 19.6% YoY in 5M08, while the unit price jumped 77.4% YoY. In terms of quantity, exports of soybean and crude oil grew 24.4% YoY and 11% YoY in 1H08, compared to increases of 20.4% YoY and 12.7% YoY, respectively, in 5M08. Meanwhile, the corresponding average import prices for the above two items increased 78.3% YoY and 67.3% YoY in 1H08. In 1H08, imports of motor vehicles rose 53.2% YoY, lower than rise of 59.1% YoY in 5M08.

Foreign Direct Investment (FDI)

YoY %	2007							2008					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Actual FDI	21.9	17.8	11.87	(2.36)	13.18	35.04	50.5	109.8	38.31	50.3	70.1	58.4	44.9
US\$ bn	6.63	5.04	5.18	5.27	6.78	7.68	13.1	11.2	6.93	9.3	7.6	7.8	9.6

Source: NBS

According to the Ministry of Commerce (MoC), China's actual Foreign Direct Investment (FDI) jumped 44.9% YoY in June, down from the rise of 58.4% YoY in May and 70% YoY in April. The utilised FDI amounted to US\$9.6bn in June, compared to US\$7.76bn in May and US\$7.6bn in April. For 1H08, the actual FDI went up 64.3% YoY, 5.1ppts lower than 69.4% YoY in 5M07.

China's foreign exchange (forex) reserves reached US\$1,808.8bn at the end of June, up 35.73% YoY, but down from the increase of 44.2% YoY in 5M08. The incremental forex reserves in June amounted to US\$11.8bn and the trade surplus in June came in at US\$21.35bn. Such a situation suggests that the incremental forex reserve was US\$19.16bn less than the combined trade surplus and FDI in June. Although the forex swap trading between the PBOC and commercial banks, as well as the overseas mergers and acquisitions, can partly explain this, such a capital flow trend needs further observation.

Consumer Price Index

YoY %	2007						2008						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
CPI	4.4	5.6	6.5	6.2	6.5	6.90	6.50	7.1	8.7	8.3	8.5	7.7	7.1
- Food	11.3	15.4	18.2	16.9	17.6	18.2	16.7	18.2	23.3	21.4	22.1	19.9	17.3
- Clothing	(0.30)	(0.6)	(0.9)	(1.0)	(1.3)	(1.4)	(1.7)	(1.9)	(1.4)	(1.2)	(1.4)	(1.5)	(1.5)
- Trans. & comm.	(1.1)	(1.3)	(1.3)	(1.4)	(1.7)	(1.4)	(1.4)	(1.1)	(1.4)	(1.7)	(1.7)	(1.6)	(1.1)
- Residences	4.4	4.4	4.3	4.2	4.8	6.0	5.9	6.1	6.6	7	6.8	7.1	7.7
- Medical segment	1.9	2.2	2.3	2.6	2.9	3.1	3.2	3.2	3.2	3.7	3.6	3.3	3.1

Source: NBS

According to NBS data, China's CPI grew 7.1% YoY in June, down from 7.7% YoY in May and 8.5% YoY in April. For 1H08, the CPI rose 7.9% YoY, 0.2ppt lower than 8.1% YoY in 5M08.

The consecutive mitigation of CPI growth in recent two months was mainly due to the decline in the rise of food prices. The price of food went up 17.3% YoY in June, 2.6ppts lower than 19.9% YoY in May. Specifically, prices of oil fat, meat and eggs rose 34% YoY, 27.3% YoY and 2.1% YoY, respectively, in June, versus the corresponding increases of 41.4% YoY, 37.8% YoY and 2.0% YoY in May. Meanwhile, growths in the prices for fresh vegetables decelerated to 8.3% YoY in June from 10.3% YoY in May and 13.6% YoY in April. In June, the price of grain picked up 8.7% YoY, up slightly from 8.6% YoY in May. Prices of non-food items and services edged up 1.9% YoY and 1.5% YoY, respectively, in June, higher than the increase of 1.7% YoY and 1.3% YoY in May. This indicates the intensification of inflation pressure in non-food sectors. Breaking down individual items, prices of clothing, and transport & communications dropped 1.5% YoY and 1.1% YoY in June, compared to decrease of 1.5% YoY and 1.2% YoY, respectively, in May. Meanwhile, prices of residential items jumped 7.7% YoY in June, 0.6ppt higher than 7.1% YoY in May.

Inflation/Deflation

YoY %	2007						2008						
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
EFPI	2.5	2.4	2.6	2.7	3.2	4.6	5.4	6.1	6.6	8	8.1	8.2	8.8
PPI	2.5	3.6	3.8	3.6	4.5	6.3	8.1	8.9	9.7	11	11.8	11.9	13.5
CPI	4.4	5.6	6.5	6.2	6.5	6.9	6.5	7.1	8.7	8.3	8.5	7.7	7.1
Crude oil	(6.6)	(5.1)	(2.2)	(3.9)	4.2	22.6	34.6	29.9	37.5	37.9	37.9	30.9	35.9

Source: NBS

According to the NBS, China's Ex-factory Price Index (EFPI) for manufactured goods grew 8.8% YoY in June from 8.2% YoY in May and 8.1% YoY in April. Meanwhile, the Purchasing Price Index (PPI) for raw materials, fuels and power jumped to 13.5% YoY, 1.6ppt higher than 11.9% YoY in May.

Breaking down the sectors, growth of the EFPI for crude oil rebounded to 35.9% YoY in June from 30.9% YoY in May. Meanwhile, the price of the coal-mining sector surged 27.5% YoY, up largely from 24.1% YoY in May and 20.9% YoY in April, while that for smelting and pressing of ferrous metals jumped 28.7% YoY in June from 26.7% YoY in May. For nonferrous metals, the EFPI declined 1.5% YoY in June, after the rise of 0.6% YoY in May and 4.7% YoY in April.

Mainly because of a good harvest of rapeseeds and wheat this year, growth of agricultural price mitigated obviously in recent months. However, the high production cost is likely to stop the agricultural price from declining. Besides, the acceleration of the EFPI and the PPI may add inflationary pressure on the CPI in future.

Monetary Performance

YoY %	2007						2008						
	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
M0	14.5	14.5	15.0	13.0	13.0	13.6	12.1	31.21	5.96	11.12	10.7	12.9	12.3
M1	20.9	20.9	22.8	22.1	22.1	21.7	21.0	20.72	19.2	18.25	19.05	15.3	14.2
M2	17.1	17.1	18.1	18.5	18.5	18.5	16.72	18.94	17.48	16.29	16.94	18.1	17.4
Loan / deposit	69.3	69.3	67.9	67.6	67.6	67.8	67.2	68.9	67.2	65.16	66.22	65.6	65.2
M1/M2, %	36.0	36.0	36.4	36.3	36.3	37.1	37.8	37.1	35.7	35.67	35.35	35.1	34.9

Source: NBS

According to the People's Bank of China (PBOC), renminbi lending on the mainland grew 14.12% YoY in June, down from 14.86% YoY in May and 14.7% YoY in April, while the increase deposits eased to 18.85% YoY in June from 19.64% YoY in May. At the same time, the lending-to-deposits ratio decreased from 65.6% in May to 65.2% in June. The declines in lending and deposits resulted in an easing of money supply. In June, the supply of M0 rose 12.28% YoY, while that of M1 climbed 14.19% YoY and that of M2 grew 17.37% YoY, down from the corresponding increases of 12.88% YoY, 15.33% YoY and 18.07% YoY in May.

PBOC statistics show that incremental renminbi lending amounted to Rmb337.5bn in June 2008, compared to Rmb447.6bn in June 2007. The total incremental lending reached Rmb2452.5bn in 1H08, Rmb89.9bn less than that in 1H07. Breaking down sectors, incremental loans to households, and non-financial corporations and others amounted to Rmb79.1bn and Rmb258.3bn, respectively, in June, versus the corresponding figures of Rmb69.3bn and Rmb249.2bn in May. Actually, the incremental loans to households were Rmb213.9bn lower in 1H08 than for the same period last year, those to corporation were Rmb124bn higher. Such a situation indicates the impact of monetary tightening on household lending, which will reflect in declining demand in the property market.

Renminbi deposits grew 18.85% YoY in 1H08, down from 19.69% YoY in 5M08. Total incremental renminbi deposits fell to Rmb796.1bn in June from Rmb882.6bn in May, mainly due to a large drop in the fiscal deposit. Incremental household deposits amounted to Rmb373.1bn in June, up sharply from Rmb236.9bn in May, while incremental fiscal deposit came in at just Rmb1.2bn, a tumble from Rmb252.4bn. As for corporate deposit, the incremental amount reached Rmb399.8bn in June, versus Rmb389.9bn in May. The slower growth in corporate deposit is a reflection that the monetary tightening intensified in June.

Policy Highlights

- **Top leaders set tone for economic policy package.** The Political Bureau of the Communist Party of China (CPC) Central Committee held a meeting on the economic situation on 25 July. Party General Secretary Hu Jintao named both ensuring steady growth and curbing inflation as the nation's economic priority for the remainder of the year. At the meeting, which Hu presided, the leadership decided that China would strive to maintain stable and fast economic growth and carry on its battle against inflation. The meeting also decided to convene the Third Plenary Session of the 17th CPC Central Committee in October in Beijing. The meeting came after senior leaders completed inspection tours of export powerhouses in the coastal provinces earlier last month. According to the meeting, China will maintain the consistency of its macro-control policies. However, it will increase flexibility in the second half and carefully decide the macro-control measures to implement.
- **State Council meeting decides to focus on growth and inflation.** Premier Wen Jiabao said China's major regulatory goal for 2H08 was to maintain relatively fast economic growth and control inflation, which had to be given priority, according to a Xinhua News Agency report on a State Council meeting held on 15-16 July 2008. In order to achieve the State Council's goals, it was decided that the following six issues had to be addressed properly: i) Seek a balance to push for faster economic growth and curb inflation; ii) strike a balance between short-term and long-term development targets, as it is more important to create conditions for stable growth in 2009 and 2010, although growth this year cannot be neglected; iii) the relationship between the aggregate demand and structural adjustments; iv) the relationship between internal and external demand, with efforts to expand domestic demand while improving the level of opening to the outside; v) the relationship between regions, sectors and the country as a whole, with different solutions for different situations and; vi) the relationship between reform and development, with a continued push for development through reform.
- **Plan to accelerate China economic reforms.** The State Council approved on 22 July 2008 a National Development & Reform Commission (NDRC) document listing nine areas for reform for the current year, according to a government website. The document states that the government will gradually push ahead with price reforms for refinery products and electricity. In addition, the document states that a coordinating mechanism will be established to monitor financial reforms with a plan to set up the comprehensive regulatory system. The system in China is currently separated into different segments, such as banking, securities and insurance. Meanwhile, the government will boost the reform of the Agricultural Bank of China and the three policy banks, and advance the transition of state-owned asset management corporations. China also intends to continue with interest-rate liberalisation and increase the inflexibility of exchange-rate system. According to the document, China will optimise the fiscal relationship between the central and local governments and set up a good payment transfer system. The document also states that China will quicken the reforms of state-owned enterprises, including those in the aviation, railway, telecoms and electricity, and the gas and water sectors.

- **CSRC advances IPO pre-disclosure time.** The Department of Public Offering Supervision of the China Securities Regulatory Commission (CSRC) promulgated a "Notice concerning advancement of pre-disclosure time" on 10 July. According to the notice, effective 1 July, the CSRC will release a preliminary public prospectus online for companies and underwriters applying for IPOs within five working days after the said parties receive feedback from the CSRC and make revisions to their application. The pre-disclosure regulations are a significant step in strengthening social supervision and improving the quality of information disclosure. The regulations were adjusted in order to improve further the functioning of the pre-disclosure system, strengthen social supervision, increase sense of responsibility and honesty of companies and underwriters, and improve the quality of publicly listed companies.
- **VAT refund on fuel imports to continue.** China will extend value-added tax (VAT) refunds on purchases of imported fuel by state refiners through the third quarter to September, the Xinhua News Agency reported. The VAT rebates are to be maintained to ensure supplies of gasoline and diesel during the Olympic Games in Beijing. The Chinese Government agreed to refund 75% of the 17% VAT levied on monthly crude oil and fuel imports during 2Q08 to help offset state refiners' losses due to controls on retail fuel prices. Sinopec Group, parent of China Petroleum & Chemical Corp (Sinopec), received Rmb2.51b in VAT rebates on gasoline and diesel imports in 2Q08, according to a Xinhua News Agency report. As pressure on refiners from rising crude oil prices continued to mount, the government decreed hikes of 16-18% in fuel prices on 20 June. However, even with subsidies and after the price hikes, Sinopec says it is still losing Rmb900 for every ton of oil refined.
- **MoF raises VAT rebate on textile and garment products.** The MoF announced late last month that the VAT rebate of some textile and garment products would raise to 13% from 11, while the that on some bamboo products would raise from 0% or 5% to 11%, both effective 1 August. At the same time, the MoF announced the removal of VAT rebate on some highly polluting products, including chemicals, silver, zinc and batteries, albeit effective 1 January 2009. We note that, while the textile and garment industry is actually the major contributor to China's trade surplus, it is also the major recipient of VAT rebates. This policy is aimed at protecting the labour-intensive textile industry and is in line with market expectation.
- **China to restructure major SOEs after Olympic Games.** China intended to restructure centrally administered state-owned enterprises (SOEs) after the Beijing Olympics, State-owned Assets Supervision and Administration Commission (SASAC) Chief Li Rongrong said on 22 July. Li also told SOEs to limit their investment scales to reduce risks and said mergers and acquisitions in SOEs should be strictly controlled. SOEs under the central government should have a "reasonable" debt ratio, while self-owned capital should be no less than 40% of any investment, Li said. Also, SOEs should closely monitor all investments and limit non-core and high-risk projects. After the Beijing Olympics, the commission will strengthen the structures of centrally administered SOEs. Li demanded SOEs pay close attention to cost and risk controls, as well as fund management and to weather challenges such as weaker external demand, a stronger renminbi and surging prices of primary commodities.

- **NDRC to enhance foreign investment management.** China will further strengthen management of foreign investment projects and check forex inflow in a bid for better control, according to the NDRC. The move would also ensure the country's economic safety, protect ecological environment, optimise the development and reform mechanisms, and prevent industrial monopolisation, said the NDRC in a circular on 18 July. Developers of projects without government approval, with fake application materials, or the improper use of forex, will be punished. Local governments will also investigate and supervise foreign enterprise-involved programmes, including joint ventures, exclusively foreign-owned firms, bilateral cooperation projects, mergers and acquisition schemes. Meanwhile, regional economic regulators will have to look into the projects, monitor forex inflow channels, and enhance financial management of foreign enterprises. Projects responsible for severe environment contamination and high consumptions of energy and resources need stricter inspections and supervision.
- **China steps up controls on price of thermal coal.** The NDRC has strengthened its control over domestic spot price of coal recently. According to a notice published on 24 July, the NDRC has imposed price caps of Rmb860/tonne, Rmb840/tonne and Rmb850/tonne on thermal coal with heat content of 5,500k cal/kg at the ports of Qinhuangdao, Tianjin and Tangshan, respectively. This move comes after coal prices in China continued to rise, despite the government's imposition of caps on 20 June. Some coal producers reduced the sales through contracts and raised sales through spot and sold coal via related trading agents in order to get around the price controls. With the caps on prices of coal at key ports, the government hopes to improve the effectiveness of its controls. At the same time, the government has forbidden the sales of contract coal through trading agents or changes in sales of contracted coal to spot coal. Companies unable to fulfil their contracted volumes may see their allocated railway freight capacities cut next year.
- **NDRC sets up minimum price system for early polished non-glutinous rice.** The NDRC issued a circular on 24 July on a minimum pricing system for early polished long-grained non-glutinous rice. According to the circular, the minimum purchase price for standard early polished non-glutinous rice has been set at Rmb1.54/kg. The minimum pricing system will cover Anhui, Jiangxi, Hubei, Hunan and Guangxi provinces. For other areas, the provincial governments will decide whether or not to carry out the minimum price system. The system will be effective from 16 July to 30 September 2008. During this period, if the market price of early polished non-glutinous rice declines below the minimum price, the National Grain Reserves Corp and local reserve companies will have to purchase from farmers at the minimum level. It is hoped that the system will stabilise the price of rice and increase official grain reserves.

- Energy-efficiency ratings to be set.** Energy-efficiency ratings on electronic devices of eight categories would be issued at the end of this year and come into force next year, the China National Institute of Standardisation (CNIS) said on 23 July. The eight categories that will be labelled include both white goods and office appliances, such as water heaters, electric cookers, fans, variable-frequency air conditioners, computer monitors and copy machines, according to Wang Ruohong, deputy director of resource and environment standardisation under the CNIS. The said rating labels will allow consumers to compare the energy efficiency of appliances on an equitable basis and also provide incentives for manufacturers to improve the energy performance of appliances. The energy-efficiency rating label system works not just for domestic manufactures, but also for importers and exporters in the sector.

AUTOMOTIVE

HK listed – Marketperform
A shares – Marketperform

- Domestic passenger car sales in June 08 rose 15% YoY to 588,361 units.
- In 1H08, domestic passenger car sales surged 17% YoY to 3.61m units.
- Going forward, we expect China's passenger car industry to post sales growth of 15% YoY in 2008.
- In June 2008, sales of heavy-duty trucks (including chassis) grew 24% YoY and those of semi-tractors jumped 34 YoY. Large buses sales rose 36% YoY in 1H08.
- We expect sales of heavy-duty truck 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 38% YoY to Rmb36.1bn for 5M08.

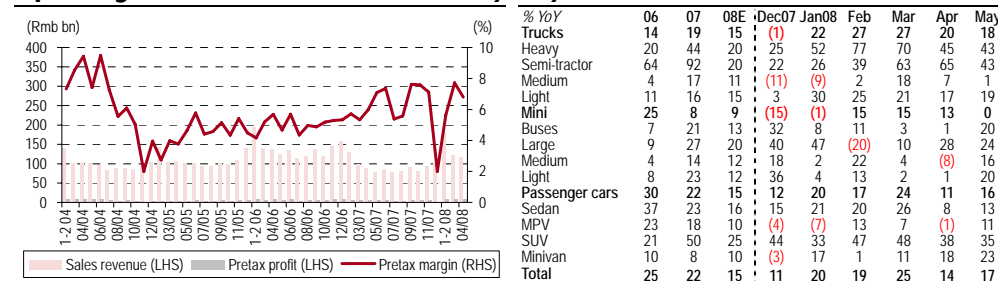
Weichai Power (2338.HK/HK\$39.40; 000338.SZ/Rmb44.40) – Outperform

Weichai Power has made a preliminary projection that its 1H08 earnings will come in up 50-100% YoY. Based on the 1H08 earnings, it means the figure will be between Rmb1,463m and Rmb1,950m, accounting for 62-82% of our full-year forecast. In 1H08, Weichai sold a total of about 200,400 engines, up 43% YoY. Meanwhile, sales of heavy-duty trucks grew 39% YoY to about 42,500 units and those of gearboxes increased 35% YoY to about 328,900 units. Meanwhile, it appears that the rising steel prices may have a small negative impact on its earnings. Valuation is very cheap.

FAW Car (000800.SZ/Rmb8.78) – Marketperform

FAW Car announced that its 1H08 net profit will come in up 206% YoY. This translates to a 1H08 net profit of Rmb505.8m (EPS: Rmb0.31). We believe sales of FAW Benteng (the earnings driver) may weaken in 2H08. We expect the EPS for 2008 to be around Rmb0.62. In 5M08, the company saw its sales of Benteng cars surge 207.5% YoY to 18,878 units, and those of Mazda6 jump 45.2% YoY to 29,093 units. We conservatively estimate that, in the current year, FAW Car will sell 69,000 units of the Mazda 6 and 43,500 units of the Benteng.

Operating Performance of the Auto Industry Key Statistics



Source: China Automotive Industry Newsletter

Sources: China Automotive Industry Newsletter, BOCI Research estimates

CHEMICALS

HK listed – Marketperform
A shares – Marketperform

- Due to the impact of high crude oil cost, the 1H08 earnings of the domestic petrochemicals industry grew just 2.5% YoY to Rmb279bn, despite a rise in revenue of 30% YoY to Rmb3,100bn. Experts estimate that 2008 revenue of the domestic petrochemicals industry will grow 25% YoY, but earnings will rise just 6% YoY due to the increases prices of gasoline and diesel.

Yantai Wanhua (600309.SS/Rmb19.47) – Outperform

Wanhua's net profit for 1H08 surged 45% YoY to Rmb881m, better than market consensus, while revenue grew 18% YoY to Rmb4,168m. In 2H08, we estimate that the 2008 gross margin of MDI will range from 35% to 33%. However, thanks to an increase of 22% YoY in the sales volume of MDI and a decline in the tax rate to 15% in 2H08 for hi-tech enterprises, we expect that the company's earnings for 2008 to grow 36% YoY to Rmb2,016m. We reaffirm our **Outperform** rating on the stock.

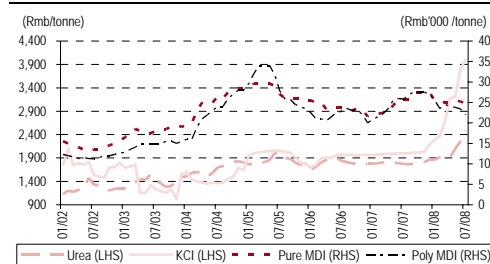
Qinghai Salt Lake Potash (000792.SZ/Rmb88.12) – Outperform

QSL's earnings of 1H08 grew just 3.13%YoY to Rmb510m due to a decline in the sales volume of potash fertiliser. Given the impact of government policy on the potash industry and expectations of a price rise in 2H08, the company's potash sales volume slumped over 40% YoY. As we still expect QSLP to achieve its sales target of about 2m tonnes of potash in 2H08, we maintain our 2008 earnings forecast of Rmb2,556m (EPS:Rmb3.33). We reaffirm our **Outperform** rating on the stock.

Zhejiang Longsheng (600352.SS/Rmb16.05) – Outperform

Zhejiang Longsheng's net profit for 1H08 surged 153.86% YoY to Rmb363m (EPS: Rmb0.55), while its sales revenue grew 63% YoY at Rmb2,442m. The 1H08 net profit represents 73% of our full-year projection of Rmb498m. Due to a higher-than-expected hikes in the prices of dyestuff and intermediate products, the gross margin improved to 27% in 1H08 from 20% in 1H07. As we have adjusted our price assumptions for Longsheng's main products and revised our EPS forecast for 2008 from Rmb0.76 to Rmb1.33, we raise our target price from Rmb15.20 to Rmb19.95, based on 15x 2008E P/E. We reaffirm our **Outperform** rating on the stock.

Product Prices



Sources: China Petroleum & Chemical Industry Association

Key Statistics

	06	07	08E	Jan08	Feb	Mar	Apr	May	Jun
Output									
Urea	13.3	11.5	10.5	5.5	1.9	5.4	10.7	5.3	10.2
Potash	18.5	10.6	12.0	30.0	15.0	30.9	18.6	(5.6)	33.9
PVC	23.3	20.0	15.0	18.6	13.4	1.3	11.7	6.0	10.4
Nitric Acid	12.6	13.1	10.0	3.5	(2.2)	15.3	14.1	20.5	4.5
Price									
Urea	(2.4)	0.1	3.5	3.3	(0.1)	3.2	1.0	9.4	7.1
KCl	7.4	5.4	10.0	7.9	5.0	3.9	13.0	0.6	18.7
Nitric Acid	0.4	1.8	2.8	10.8	5.9	(10.0)	1.2	5.9	3.5
Pure MDI	(14.0)	5.5	(3.5)	0.0	0.0	(1.0)	0.0	0.0	(1.2)
Poly MDI	(24.0)	14.3	(5.5)	(3.6)	0.0	(8.0)	(2.0)	(2.0)	(1.6)
PVC	3.1	6.0	2.0	(2.8)	0.1	5.3	3.3	(0.7)	2.5

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

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

- Beer output grew around 8.5% YoY to 11.28m kl in 4M08.
- Revenue and profit of the beer industry rose 14.2% and -4.2% YoY in 5M08, respectively.
- Liquor production volume increased about 17.7% YoY to 1.77m kl in 4M08.
- Revenue and profit of liquor industry rose 33.2% and 63.0% YoY in 5M08, respectively.
- Wine output grew about 64.86% to 0.30m kl in 4M08.
- Revenue and profit of wine industry rose 36.2% and 32.8% YoY in 5M08, respectively.

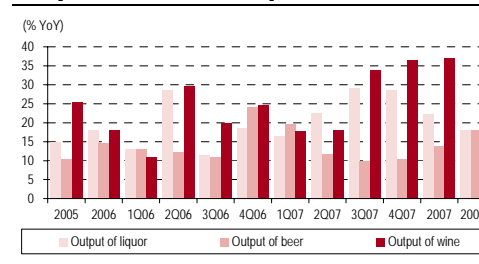
Chengde Lolo (000848.SZ/Rmb19.40) – Outperform

Hebei Chengde Lolo is a leader in China's almond beverage industry. It has a capacity of 300,000 tonnes with a market share above 90%. Lolo changed from a state-owned enterprise to privately-owned one and we expect its earnings to increase on fewer related transactions. We forecast that Lolo's EPS will amount to Rmb0.74 for 2008, Rmb0.98 for 2009 and Rmb1.28 for 2010. We set our target price at Rmb24.50, based on 25x 2009E P/E. We initiate coverage on the stock with an **Outperform** rating.

SDIC Zhonglu (600962.SS/Rmb17.56) – Marketperform

SDIC Zhonglu announced that it acquired 98m shares, or 24.57% stake, in Singapore-listed New Lakeside Holding Ltd (NLHL) for was S\$12.25m or S\$0.125/share, representing 2007 P/E of 22.4x and 2007 P/B of 2.5x, not cheap. The acquisition will expand the company's capacity in the long term even if the earnings increase in the short term is rather limited. In 2006, the average export FOB (free on board) price of apple juice was about US\$900/tonne and, last December 2007, it increased to US\$1,730/tonne. Currently, some major domestic producers have signed contracts on FOB prices of US\$1,400-1,500/tonne. The main reason for this is that there have been high apple yields in countries like Poland and China. In view of the decline in its signed contract FOB price and the stronger renminbi exchange rate, we forecast fully-diluted EPS estimates for SDIC Zhonglu Rmb0.65 for 2008, Rmb0.72 for 2009 and Rmb0.80 for 2010. Based on the valuations of its H-share comparables, SDIC Zhonglu's shares trade at an expensive range, including expectations of asset injections from parent SDIC Group. We reaffirm our **Marketperform** call on the stock.

Output of Beer and Liquor



Sources: China Light Industry Association, BOCI Research

Key Statistics

	06	07	08E	+2006	2007	2008
	6M	9M	12M	5M	8M	11M
Revenue (YoY %)						
Beer	16	17	18	11	13	16
Liquor	31	33	35	24	26	32
Wine	25	28	30	29	27	25
Profit (YoY %)						
Beer	20	21	22	11	20	21
Liquor	26	35	39	23	21	26
Wine	16	18	24	11	13	16
Gross margin (%)						
Beer	34.0	34.0	34.5	34	35	34
Liquor	34.8	36.0	37.0	35	34	35
Wine	36.7	37.0	37.5	37	35	37

Sources: China Light Industry Association

CONSUMER – Dairy & Others

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

- Output of liquid milk products grew 10.3% YoY to about 3.4m tonnes in 3M08.
- Output of other dairy products rose 14.6% YoY to about 4.3m tonnes in 3M08.
- Industry sales revenue grew 30.5% YoY to Rmb629.5bn in 5M08.
- Industry profit went up 21.4% YoY to Rmb3.3bn in 5M08.

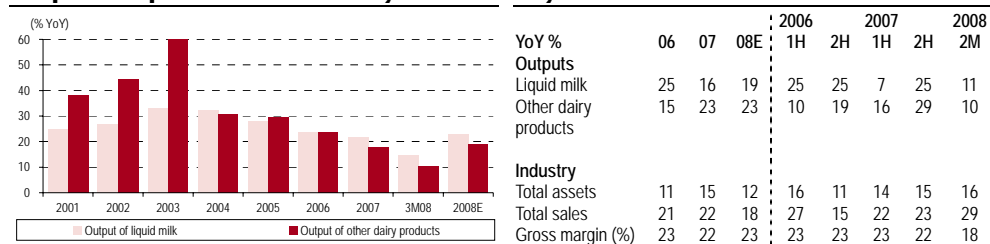
Yantai North Andre Juice (8259.HK/HK\$0.68) – Outperform

We have cut our net profit forecasts for Yantai North Andre Juice by 2% for 2008, 5% for 2009 and 3% for 2010, after adjusting our apple juice concentrate (AJC) price assumptions to US\$1,680/tonne, US\$1,550/tonne and US\$1,600/tonne, respectively, on a good apple harvest for the 2008-09 (August-May) pressing season. We estimate that Andre Juice's apple-purchasing cost will fall to Rmb950/tonne from Rmb1,200/tonne a year ago. Based on 12x P/E on forward 12-month earnings, we lower our target price from HK\$1.80 to HK\$1.46. We believe Andre Juice will see the strongest organic growth among AJC exporters going forward, and reiterate our **Outperform** rating on it. Andre Juice's new business will be able to make a contribution from the current year. We expect Andre Juice's associate to deliver 2,000 tonnes of pectin in 2008. In view of an ASP of over Rmb100,000, the associate will be able to contribute Rmb24m in 2008. The contribution may reach Rmb48m when the output doubles in 2010.

China Haisheng Juice (0359.HK/HK\$1.25) – Outperform

We have cut our net profit forecasts for Haisheng Juice by 5% for 2008, 6% for 2009 and 4% for 2010, after adjusting our apple juice concentrate (AJC) price assumptions to US\$1,630/tonne, US\$1,550/tonne and US\$1,600/tonne, respectively, on a good apple harvest for the 2008-09 (August-May) pressing season. We also estimate that Haisheng's apple-purchasing cost will fall to Rmb950/tonne from Rmb1,200/tonne a year ago. Based on 8x P/E on forward 12-month earnings, we reduce our target price from HK\$3.50 to HK\$2.50. Compared with Yantai North Andre Juice it has a weaker growth outlook and a poorer balance sheet. The stock has now become attractive following its share price, as it trades at only 3.6x 2008 P/E and 1.0x 2008 P/B. As we believe Haisheng does not face much downside risks at the current level, we reaffirm our **Outperform** call on it.

Output of Liquid Milk & Other Dairy Products Key Statistics



Sources: China Dairy Yearbook, BOCI Research

Sources: China Statistical Yearbook, BOCI Research

CONSUMER – Retail

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

- Large chain-store retailers in China posted sound revenue growths in the traditional low month of June. According to China General Chamber of Commerce, retail sales of the top 100 chain-store enterprises grew 23.0% YoY to Rmb19.04bn in June, well above the 13.5% rise in May, but below the 26.8% increase in 1Q08. Food sales grew 26.0% YoY to Rmb2.8bn, on a solid boost from Children's Day and the Dragon Boat Festival. Sales of jewellery and gold items soared 40.4% YoY to Rmb1.24bn, with those of the latter up 62.3% YoY.

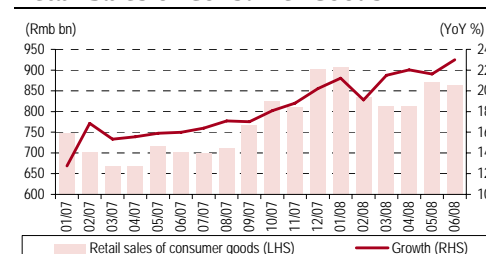
Golden Eagle (3308.HK/HK\$6.70) – Outperform

Golden Eagle's existing well-established 10-store network in three provinces, seven of which are located in Jiangsu Province, allows it to enjoy economies of scale, especially in its home market. This helps to reduce the company's fixed costs and enables it to negotiate favourable contract terms/arrangements, besides establishing close relationships with suppliers and concessionaires. Given Golden Eagle's local expertise, we believe it will maintain a stable commission rate. Golden Eagle plans to open new stores in second-tier cities in Jiangsu with rapid economic growth and less intense competition. Meanwhile, we expect stores in Xi'an and Kunming may be positioned as platforms for further penetration into western and southwest regions. We forecast that it will open two new stores every year from 2008, mainly in Jiangsu before 2010. We believe the company is undervalued due to its expanding chain of stores, improving net margin and better ROE. Based on DCF valuation, our target price for the stock is HK\$9.10, equivalent to 23x 2009E P/E. We initiate coverage on Golden Eagle with an **Outperform** rating.

Wangfujing Department Store (600859.SS/Rmb36.14) – Outperform

The four stores that Wangfujing Department Store (WDS) currently has in Beijing accounted for around 40% of its 2007 net profit. Considering the tight traffic control and prohibitions on large promotional activities, we believe the coming Olympic Games may have a marginally negative impact on turnover contributions from stores in Beijing in the short term. On the other hand, despite the snowstorms that hit China earlier this year and the 12 May earthquake in Sichuan Province, we predict turnover of WDS grew 25% YoY in 1H08. Furthermore, with the exception of the Urumqi store, which opened for business in late-2006, all other 15 WDS outlets booked profits in 1H08. We still hold an optimistic view on WDS for its strong prospective earnings CAGR of 26% during 2008-10, as well as its clear expansion strategy. We reaffirm our **Outperform** rating on it.

Retail Sales of Consumer Goods



Source: CEIC

Key Statistics

Wholesale and retail trades by category of main commodities					
YoY %	1H07	2007	1Q08	May08	Jun08
Grain and oil	33.2	38.3	38.1	27.6	30.1
Meat, poultry and eggs	36.0	40.9	31.3	25.4	22.9
Clothing, shoes, hats and textiles	25.0	28.7	24.3	22.1	28.3
Sport and recreation articles	17.9	na	21.0	12.8	19.2
Household and video appliances	20.7	23.4	22.5	10.7	9.6
Furniture	43.4	43.2	33.3	37.3	25.5
Cosmetics	25.9	26.3	22.3	17.4	22.1
Gold, silver and jewellery	37.5	41.7	47.5	29.2	50.9
Communication appliances	10.9	n.a.	3.7	2.7	6.4
Automobiles	36.7	36.9	37.1	32.0	32.6

Source: NBS

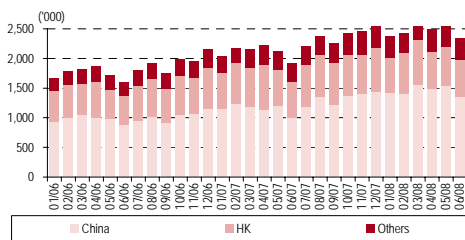
CONSUMER SVS – Gaming & Hotels *Gaming – Marketperform Hotels – Marketperform*

- Visitor arrivals in Macau in June 2008 grew 22% YoY to 2.3m. In 1H08, arrivals grew 18.1% YoY to about 14.9m. In the same period, Arrivals from China grew 27.1% YoY to 8.7m, while those from Hong Kong fell a marginal 1.4% YoY to 3.9m. Visitors from other countries again grew strongly at 26.3% YoY.
- More restrictions will be imposed on mainland tourists visiting Macau in order to curb growth in the high-roller gaming market. The period of stay in Macau for them as a transit point has been reduced from 14 days to seven, effective 1 August 2008, according to the Macau Government as reported in the Macau Daily Times. A mainland visitor without a record of having gone to other countries, will be allowed to stay for only two days. Starting from 1 September, mainland tourists with only a Hong Kong visa, under the Hong Kong-Macau individual travel pass scheme, are also prohibited from entering Macau.

SJM Holdings (0880.HK/HK\$2.80) – NR

SJM Holdings, a Macau-based casino operator, completed its initial public offering (IPO) of 1,250m shares at a price of HK\$3.08 each to raise HK\$3,850m. It is the largest casino operator in Macau in term of gaming revenue. SJM operates 18 of the 28 casinos in Macau featuring a total of 305 VIP tables in 75 VIP rooms, 1,107 mass-market gaming tables and 3,702 slot machines as at December 2007. Since the market was liberalised in 2002, SJM's market share declined from 100% then to 40% in 2007. Its profit also fell from HK\$5.3bn in 2005 to HK\$1.5bn in 2007. Of the IPO proceeds raised, HK\$1.3bn will be used to finance partly SJM's acquisition of the remaining 15/16 portion of Hotel Lisboa and Nam Van Lake Lot 11-A. Approximately HK\$2.3bn will be used for part of SJM's project funding, including for the Grand Lisboa, Ponte 16, Oceanus, The Pearl and L'Hermitage. Based on the profit forecast for 1H08, the issue price implies an annualised 13.8x 2008 P/E.

Macau Visitor Arrivals



Source: CEIC

Key Statistics

Gross revenue from game of fortune							
MOP m	1Q07	2Q07	3Q07	4Q07	2007	1Q08	2Q08
VIP Baccarat	12,002	13,206	13,668	16,886	55,762	20,801	20,100
YoY %	50	58	50	49	52	73	52
Slot machine	753	825	876	1,141	3,595	1,354	1,395
YoY %	72	81	64	82	75	80	69
Others	5,652	5,536	5,797	6,680	23,665	7,668	7,390
YoY %	32	31	35	34	33	36	33
Total	18,407	19,567	20,341	24,707	83,022	29,823	28,885
YoY %	45	50	46	46	47	62	48

Source: CEIC

ENERGY

HK listed – Outperform A shares – Outperform

- After hitting a new high at US\$146/bbl in the first week of July, the price of ICE Brent tumbled to US\$123/bbl at the end of the month on demand concerns over US consumers scaling back consumption at high prices.
- The discount of the price of Minas (benchmark for Daqing oil) to that of ICE Brent remained stable at around US\$1-2/bbl throughout July, whereas that of Cinta (benchmark for Shengli oil) to that of ICE Brent narrowed from US\$9.8/bbl to US\$7.4/bbl during the same period.
- Coal prices in China surged another 10% in the first three weeks of July to all-time highs with the median settlement price of Datong high-grade coal hitting Rmb1,065/tonne and that of Shanxi high-grade coal rose reaching Rmb995/tonne at Qinhuangdao, despite government price caps. On 24 July, the NDRC issued another memo to cap the coal prices at three key coal ports, including Qinhuangdao. As a result, the median settlement prices of the above two types of coal dropped 6-7% in the last week of July. The coal inventory at Qinhuangdao rose 10% MoM to 6.5m tonnes at end-July.

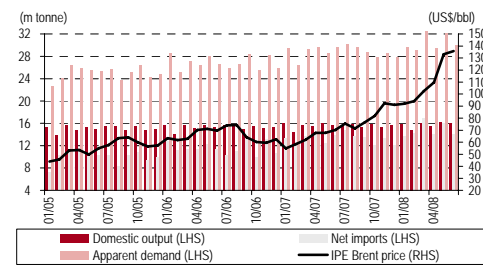
China Coal (1898.HK/HK\$13.82; 601898.SS/Rmb13.27) – Outperform

China Coal's earnings surged 59% YoY for H shares and 56% YoY for A shares in 1H08. After stripping off the mark-to-market gain and loss from its holding of China COSCO A shares, the earnings growth of core business was 127% YoY for the H shares and 137% YoY for the A shares. We have revised up our 2008-10 earnings forecasts by 13-18% to factor in the strong interims. We reiterate our **Outperform** calls on both H shares and A shares, but lower our target prices from HK\$20.31 to HK\$18.79 and from Rmb19.84 to Rmb16.35, respectively.

China Oilfield (2883.HK/HK\$11.54; 601808.SS/Rmb21.86) – Outperform (H&A) ↑

China Oilfield Services made an offer to acquire all the shares of Awilco at NOK85 each. It will cost the company US\$2.5bn on an equity basis and US\$3.8bn in terms of enterprise value. The deal will be completed in September or October 2008. It will result in a 65% increase to 28 in the number of the company's rigs after the delivery of all new ones in 2009.

Crude Production, Import & Demand



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

Key Statistics

YoY %	07	08E	09E	Jan08	Feb	Mar	Apr	May	Jun
Output									
Crude oil	1.6	1.8	2.1	(1.2)	3.8	2.3	0.0	0.8	1.5
Natural gas	13.8	11.8	10.6	48.9	13.1	28.1	14.8	28.1	41.8
Refining throughput	8.0	6.0	6.0	7.6	9.7	4.3	2.7	(0.6)	5.9
Imports									
Crude oil	6.3	8.4	5.7	3.2	13.5	8.7	15.9	13.2	11.4
Price									
IPE Brent (US\$/bbl)	72.5	114.9	110.8	92.1	94.1	102.5	109.7	133.1	135.7

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

FINANCIALS (China)

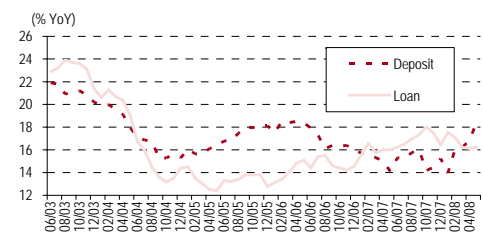
**HK listed – Outperform
A shares – Marketperform**

- According to a Sina news report, the PBOC has increased the credit quota of banks by 5% in order to support small- to medium-sized enterprises (SMEs) and the agricultural sector. If the report is true, new renminbi loans in 2008 will increase 14.5% YoY to Rmb3.8trn. The total loan growth rate for 2008 will be 14.8% YoY, slightly above our estimation of 14.5%. While new lending may increase, the direct impact on profit for 2008 will be less than 1%. Besides, while we accept that the incremental lending to SMEs will defer the formation time of NPLs related to such clients, new loans will not solve the profitability problem of such companies. The new loans to SMEs with poor repayment ability will carry high risks for commercial banks. As in the 1990s, when banks had to support state owned enterprises, leading to huge NPLs for banks, we are concerned that this new policy may do the same over the long term view. So, we still believe that banks will outperform the market during the reporting season, but the problem of asset quality will be an overhang for long term investment opportunities.

China Construction Bank (0939.HK/HK\$6.98; 601939.SS/Rmb5.99) – Underperform

CCB has said its loans to corporations as at end-June 2008 reached Rmb630bn, of which Rmb240bn, of 10.2% of the total, was to SMEs, according to a 21Century news report. CCB director of corporate lending Gujingpu also admitted that the NPLs would rise if there was a further tightening of loans to SMEs. He estimated that the NPL ratio would rise 0.45% if the GDP dropped by 1%. While we believe that NPL ratio will continue to drop in 2008, we are concerned about asset quality for 2009. We think the possible loosening of China's monetary policy will defer the level of increases in NPLs, but the risk will be higher if CCB expands the size of loans to help some SMEs and developers. We reiterate our **Underperform** rating on CCB.

Loan and Deposit Growth



Source: NBS

Key Statistics

	07	08E	09E	Dec07	Jan08	Feb	Mar	Apr	May
New incremental loans (Rmb bn)	3,630	3,630	3,800	48.5	803.6	243.4	285.6	463.9	318.5
Deposit (% YoY)	16.1	14.1	12.8	16.1	15.1	17.2	17.4	17.7	19.6
Lending (% YoY)	16.1	14.7	12.9	16.1	16.7	15.7	14.8	14.7	14.9
7-day inter-bank lending rate (%)	2.1	2.5	3.0	2.1	2.3	2.7	2.3	2.6	2.8
Excess deposit reserve ratio (%)	4.8	2	2.5	3.3	n.a	n.a	2.0	n.a	n.a
NPLs (%)	6.8	6.5	6.6	6.2	n.a	n.a	5.8	n.a	n.a

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

FINANCIALS (Hong Kong)

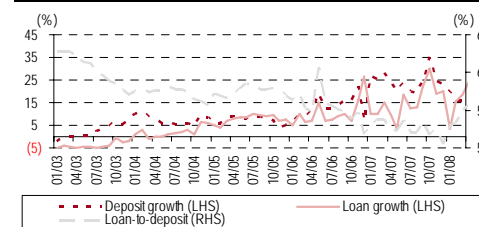
HK listed – Marketperform

- According to mReferral, the homes new mortgage market shares in June 2008 were 16% for BOC (Hong Kong) (BOCHK), 15.4% for Hang Seng Bank, 15.0% for HSBC, 7.9% for Standard Chartered, 5.9% for Bank of East Asia, 5% for DBS (Hong Kong), 4.7% for Wing Hang Bank, 3% for CCB (Asia), 2.5% for Dah Sing Banking and 2.4% for GE Finance.

BOC Hong Kong (2388.HK/HK\$19.94) – Outperform

BOC Hong Kong (BOCHK) will announce its 1H08 on 28 August and we expect it to post a net profit of HK\$7.5bn, up 0.9% YoY and down 5.6% HoH. Our forecast already includes a securities write-down of HK\$800m (1Q08: HK\$555m). As of end-March 2008, BOCHK had HK\$5.8bn in Alt-A and HK\$2.0bn of subprime asset-backed securities. If we assume all these securities are fully written off, net book value will decline by 7.9%. At a dividend yield of 4.9%, we believe that BOCHK's valuation is defensive, with substantial potential to enhance further its return on equity (ROE) through asset growth without additional dilutive capital issuances. Accordingly, we reaffirm our **Outperform** rating on the company and adjust slightly our target price from HK\$24.00 to HK\$24.20.

Loan and Deposit Growths



Source: HKMA

Key Statistics

	07	08E	09E	Dec07	Jan08	Feb	Mar	Apr	May
Prime	6.85	5.25	5.25	6.85	6.56	5.75	5.56	5.25	5.25
3M HIBOR	3.75	2.00	2.00	3.75	2.97	2.31	2.06	1.98	1.88
Prime - HIBOR	3.10	3.25	3.25	3.10	3.59	3.44	3.50	3.27	3.37
Savings deposit rate	1.35	0.05	0.20	1.4	1.1	0.3	0.2	0.0	0.0
Loan growth (% YoY)	20.0	15.0	12.0	20.0	19.9	15.3	18.7	24.6	24.1
Deposit growth (% YoY)	23.1	15.0	12.5	23.1	19.3	16.2	15.9	17.0	13.3

Sources: HKMA, BOCI Research estimates

FINANCIALS – Insurance

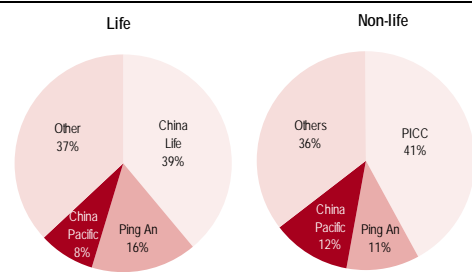
HK listed – Marketperform

- While we believe that their valuations are more attractive now in view of the long-term growth potential, we still hold a conservative view on insurance companies due to the overhang of the weak equities market on their share-price performances. Besides, the current price levels still do not factor in fully the drops in embedded margins on changes to the product mixes. So, we reiterate our Marketperform rating on the sector. We will keep a close eye on the valuations of insurance companies and wait for an entry level when the price has factored in the negative impact from the A-share market and product mix change.

Ping An Insurance (2318.HK/HK\$54.05; 601318.SS/Rmb44.80) – Marketperform

Ping An may reportedly acquire a 16% stake in Shenzhen Development Bank from Newbridge for about Rmb8.7bn, of Rmb21/share. If Ping An completes the acquisition of the SDB stake, its competitive power in the banking business will receive a significant boost, and give it a sound foundation for the development of its universal business model. On the other hand, the acquisition may put financial pressure on Ping An. Besides, the possible decline in the profits banks is another risk factor. We believe that Ping An will suffer a negative impact to its general insurance and securities businesses in 2H08. So, even though Ping An's H shares currently trade at 1.9x 2008E P/EV and 0.67x 2008E P/AV, we reiterate our **Marketperform** rating.

Market Share Breakdown – May 2008



Source: CIRC

Insurance Premium Growth

(Rmb bn)	06	07	08E	Dec07	Jan08	Feb	Mar	Apr	May
Non-life insurance premiums	156	199	239	16	29	14	24	23	20
Life insurance premiums	406	494	618	43	76	68	87	59	60
Total insurance premiums	562	693	856	59	106	82	110	82	80
Growth rate (%)									
Non-life insurance premiums	22	28	20	33	31	29	25	22	22
Life insurance premiums	12	22	25	21	67	69	61	62	62
Total insurance premiums	14	23	24	25	55	58	52	50	50

Sources: Bloomberg, Company data, BOCI Research estimates

MEDIA

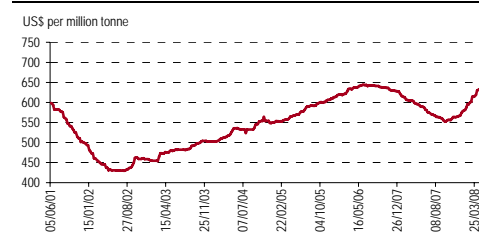
HK listed – Outperform A listed – Underperform

- Industry regulator the State Administration of Radio, Film and Television (SARFT) says that as of mid-July, 37 cities had rolled out handheld TV networks using the Chinese CMMB technology. It notes that over 300 cities will build CMMB networks over the next few years.

Next Media (0282.HK/HK\$2.25) – Outperform

We have published an in-depth report on Next Media with a revised target price of HK\$3.90 against the original HK\$4.10, but a reaffirmation of our Outperform rating. This is based on 16x forward P/E, slightly below the 18.4x average since 2004. We have also revised our profit forecasts to show an EPS CAGR of 13% for 2007-09.

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

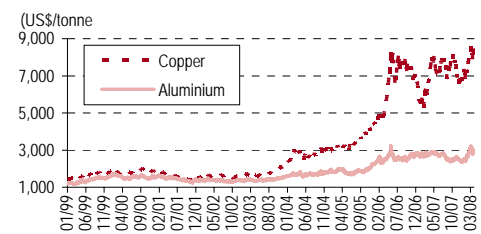
**HK listed – Outperform
A shares – Outperform**

- The interim results season has kicked off with Zijin Mining announcing a 45% YoY increase to Rmb1.7bn in its 1H08 net profit, thanks to growth in sales volume and the price of gold.
- Among the various metals and mining companies, we expect steel entities, in particular the long producers, to report the best earnings growth on the back of robust product prices.
- We expect Maanshan Iron & Steel to report 1H08 earnings growth 80% YoY, while Chongqing Iron & Steel has already issued a profit alert of an increase of more than 60% YoY.
- We expect lacklustre results for the nonferrous metal companies due to a metal price correction. Zinc and nickel prices were worst hit with drops of 25-30% in prices in 1H08. We expect 1H08 earnings declines for Xinjiang Xinxin Mining, Hunan Nonferrous Metals and Chalco.

Maanshan Iron & Steel (0323.HK/HK\$4.91; 600808.SS/Rmb5.24) – Outperform

With 80% of its sales revenue from long products, Maanshan Iron and Steel (Magang) offers good exposure to the robust long product prices in China. In 1H08, wire rod prices went 39% from the average level last year, while rebar prices rose 35%. We, therefore, believe that Magang's 1H08 net profit surged 80% YoY to Rmb2bn. Looking ahead, we believe mainland steel prices will hover at current levels in 2H08 given the slowdown in supply. In addition to rising prices, Magang will benefit from a sales volume increase from 13m tonnes in 2007 to 18m tonnes in 2009. Trading at a 2008E P/E of 7.8x, we reaffirm our **Outperform** call on Magang.

3-month Futures Aluminium and Copper



Source: LME

Key Statistics

(% YoY)	06	07	08E	Jan08	Feb	Mar	Apr	May	Jun
Quick speed wire rod	(5)	15	20	38.7	43.4	51.3	53.5	53.5	63.6
Ord. Plate -40mm	(12)	17	20	32.0	35.8	43.4	48.1	55.6	54.3
Cold-rolled sheet	(10)	10	15	20.7	23.3	39.2	40.4	36.8	43.1
Hot-rolled sheet	(19)	5	15	12.5	20.6	26.4	30.4	34.3	41.8
Galvanised steel	(13)	1	15	(1.0)	3.2	12.5	18.6	18.6	34.4
Aluminium	21	(5)	5	(13.4)	(4.6)	(0.4)	(4.3)	(11.1)	(10.4)
Copper	77	0	0	6.0	21.2	13.5	(6.0)	(3.1)	(1.2)

Sources: Bloomberg, Company data, BOCI Research estimates

PROPERTY (China)

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

- During the 1H08 working conference of the China Banking Regulatory Commission (CBRC), Chairman Liu Mingkang urged commercial banks to keep a close eye on the property market, and implement pressure tests and scenario analyses on mortgage loans in some cities. He also said banks had to improve self-prevention against industry risks, while fulfilling reasonable credit demand to support the healthy development of the property market.
- The ASP of commodity houses in 70 mainland cities grew 8.2% YoY in June 2008, 1ppt lower than that in May, according to NDRC statistics. Urumqi, Haikou, and Ningbo led the way with increases of 20.2% YoY, 18.1% YoY, and 14.7% YoY, respectively.

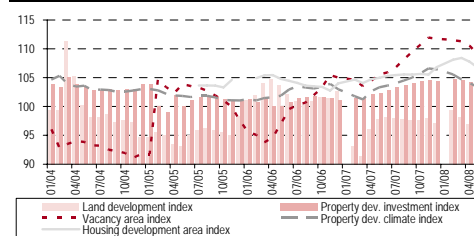
Gemdale Group (600383.SS/Rmb8.55) – Outperform

Gemdale's 1H08 net profit grew 17% YoY to Rmb241m, as revenue rose 22% YoY to Rmb2.27bn. The company booked an area of 260,100sqm for revenue of Rmb2.072bn and its gross margin for property development increased 2.7ppts YoY to 46.3%. The company's ASP for the booked projects in 1H08 was 7,965/sqm, 2.4% lower than in 2007. In 1H08, Gemdale sold an area of 476,000sqm, down 12% YoY, for proceeds of Rmb4.97bn, up 5.3% YoY. The ASP in 1H08 rose 16% YoY from Rmb9,011/sqm to Rmb10,445/sqm. As at end-June, Gemdale had presale proceeds of Rmb6.59bn, locking up 76% of our 2008 development revenue forecast. In 1H08, the company had a new-start area of 1.1m sqm, fulfilling 42% of the target set at the start of the year. The company expects to accomplish its construction target. Meanwhile, the CSRC rejected its new share placement application without giving any specific reasons.

Poly Real Estate (600048.SS/Rmb16.13) – Outperform

Poly's 1H08 net profit surged 272% YoY to Rmb1.034bn (EPS: Rmb0.42), as revenue jumped 156% YoY to Rmb5.38bn. The company booked an area of 657,500sqm for revenue of Rmb5.22bn, and its property development gross margin widened 6.20ppts YoY to 46% as its ASP for the booked projects in 1H08 was 7,934/sqm, 18% YoY higher. In 1H08, Poly sold/presold an area of 1.314m sqm (up 39% YoY) for proceeds of Rmb10.7bn (up 34.5% YoY). As at end-June, the company had sold, but not booked an area of 1.446m sqm for contract presale proceeds of Rmb13bn, locking in 94% of our revenue forecast for 2008.

Property Indices



Source: Soufun.com

Key Statistics

(% YoY)	06	07	08E	Nov07	Dec	J-F08	Mar	Apr	May
Property investment	23	30	23	35	23	33	32	32	32
Residential property investment	26	32	25	34	25	31	39	36	35
Commodity housing starts (area)	17	21	18	26	12	27	24	8	18
Commodity housing completion area	9	10	10	5	12	32	21	1	14
Commodity housing sales area	38	26	1	24	11	(4)	2	(12)	(14)
Commodity housing sales amount	55	44	8	30	28	(4)	9	(8)	(6)
Average selling prices	13	15	7	14	15	0	3	4	5

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

PROPERTY (Hong Kong)

Developers – Marketperform
Investors – Outperform
REITs – Outperform

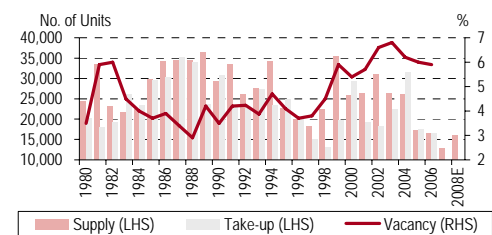
■ Since our downgrade on 25 April 2008, the Hang Seng Property Index has fallen 12% and underperformed the Hang Seng Index by 3%. We maintain our view that average property prices will fall 10% for mass residential and 15% for high - end by the end of this year. We believe that there are virtually only trading opportunities in the sector, but with a minimal holding value for a period of 12 months. We believe Cheung Kong and MTR Corp are likely to outperform other developers, while Sino Land and Kerry Properties are more vulnerable. We retain our Marketperform call on the sector.

Cheung Kong (0001.HK/HK\$111.10) – Outperform ↑

We upgrade Cheung Kong to **Outperform** from Marketperform due to the improving outlook of associate Hutchison Whampoa's Husky Oil and 3G telecommunications operations. Among developers under our coverage, our top picks are Cheung Kong and MTRC.

New World Development (0017.HK/HK\$14.88) – Marketperform ↓

We downgrade New World Development (NWD) to **Marketperform** from Outperform. As we believe that the residential market correction may last until mid-2009 at the earliest, medium-sized developers, such as NWD, deserve a higher discount rate.

Private Residential Property Completions and Sales


Sources: Housing Department, Centaline

Key Statistics

	06	07	08E	Jan08	Feb	Mar	Apr	May	Jun
CCI	5	1	9	31	35	35	31	30	-
CCL Index	6	3	10	33	36	33	29	28	27
Trans. No.	0	(20)	10	93	57	16	0	(23)	(1)
Trans. Val	12	(20)	15	149	95	37	(23)	(24)	44
Primary trans	(43)	(19)	10	77	(55)	211	(82)	(80)	64
Unsold stock	9	12	(5)	(64)	(63)	(67)	(60)	(46)	-

Sources: Centaline, Midland, BOCI Research estimates

SMALL/MID-CAP

HK listed – Outperform

- We continue to recommend investors sell into strength of Li Ning, despite its quality track record and corporate governance. Recently, we also initiated the coverage on Hengan International, another renowned branded entity in China.

Hengan International (1044.HK/HK\$23.55) – Outperform

Hengan International is China's leading manufacturer of personal hygiene products. It registered a CAGR in earnings of 50.0% during 2004-07, thanks to the improving hygiene awareness and living standards of Chinese consumers. We expect the strong demand and capacity expansion in all three product lines to take Hengan to a higher level of growth. Leveraging on its market-leading position for all three product lines, we expect Hengan to continue its growth momentum. We see rising prices of its two major raw materials, wood pulp and petrochemicals, putting pressure on Hengan's profitability. We believe Hengan can minimise the impact by optimising its products mix and increasing its selling prices. Its dividend payout ratio has remained at 65% and up in past few years and is expected to stay unchanged in future. Hengan's shares trade at 17.5x 2009E P/E. Pegging a fair 20.2x P/E to its 2009E EPS, we arrived at our target price of HK\$28.86 and initiate coverage on Hengan with an **Outperform** rating.

Li Ning (2331.HK/HK\$18.96) – Underperform

Li Ning announced the signing of a licensing agreement with Lotto Sport Italia. Under the agreement, Li Ning will have an exclusive licence for about 20 years to use the Lotto trademark in China in connection with the development, manufacturing, marketing and distribution of such products. While the deal may cheer the market as it marks another step in Li Ning's bid to establish a multi-brand platform, it heightens our concerns that its management resources will be spread rather thin over its now much expanded portfolio. There are downside risks for Li Ning's earnings for 2009 and 2010 due to foreseeable hefty promotional expenses, as well as with charges related to the network rollout of Lotto. Finally, as a second-tier foreign brand targeted at the mid-market, there are also likely to be concerns over cannibalisation as core brand, LI-NING, is positioned essentially in the same segment. We reaffirm our **Underperform** rating and advise investors sell into share price strength.

Hengan International – Profit & Loss

	2006	2007	2008E	2009E	2010E
Year ended 31 Dec					
Revenue (HK\$ m)	4,115	5,687	7,762	9,916	11,649
Change (%)	42	44	50	31	20
Net profit (HK\$ m)	697	1,006	1,264	1,685	1,872
Fully diluted EPS (HK\$)	0.64	0.88	1.09	1.43	1.58
Change (%)	53	39	23	32	11
P/E (x)	39.3	28.3	23.0	17.5	15.8
CFPS (HK\$)	0.48	1.12	(0.27)	0.15	0.23
P/CF (x)	51.9	22.2	-	171.1	109.4
EV/EBITDA (x)	27.1	19.2	15.7	12.3	10.7
DPS (HK\$)	0.43	0.59	0.72	0.96	1.07
Yield (%)	1.7	2.3	2.9	3.8	4.3

Sources: Company data, BOCI Research estimates

Li Ning – Profit & Loss

	2006	2007	2008E	2009E	2010E
Year ended 31 Dec					
Revenue (Rmb m)	3,181	4,349	6,890	8,268	9,530
Change (%)	30	37	58	20	15
Net profit (Rmb m)	295	474	709	886	1,092
Fully diluted EPS (Rmb)	0.28	0.45	0.68	0.84	1.04
Change (%)	56	60	50	25	23
P/E (x)	62.4	39.1	26.1	20.9	17.0
EV/EBITDA (x)	43.5	27.3	17.5	14.1	11.7
DPS (Rmb)	0.11	0.23	0.34	0.42	0.52
Yield (%)	0.6	1.2	1.8	2.2	2.7

Source: Company data, BOCI Research estimates

TECHNOLOGY

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

- The WitsView Market Confidence Index (MCI Index) for Thin Film Transistor-Liquid Crystal Display (TFT-LCD) panels dropped 12.7% MoM to 6402.8. We note that certain panel makers have scaled back production capacity of late ahead of an anticipated decline in demand.
- Worldwide PC shipments in 2Q08 rose 15.3% YoY, mainly due to strong 24.5% YoY growth in the Europe, the Middle East and Africa (EMEA) market. Shipments in the Asia Pacific (ex-Japan) fell to 14.7% YoY, while those to the US market edged up 3.6% YoY.

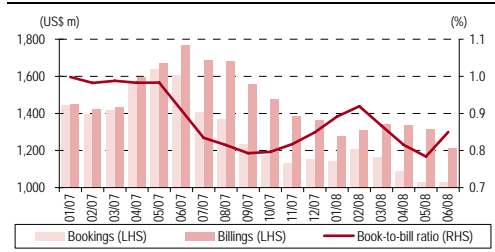
ASM Pacific Technology (0522.HK/HK\$56.30) – Outperform

ASMP's net profit for 1H08 rose 23.5% YoY to HK\$675m on a record high turnover increase to HK\$1,609m in 2Q08. The stronger growth momentum for higher-margin equipment in 2Q08 led to a rebound in the overall gross margin to 43.6% in 2Q08 from 42.7% in 1Q08. ASMP posted a stable book-to-bill (BTB) ratio of 1.0 for 2Q08, marginally lower than the 1.04 for 1Q08, but substantially higher than the latest industry average of 0.85, according to SEMI. We believe ASMP will continue to outperform its global peers, in both profitability and growth, thanks to its wider product range, rising exposure to the Greater China market, and its consistently solid research and development (R&D) investments. We raise our target price to HK\$74.20 from HK\$65.00 and reaffirm our **Outperform** call.

Lenovo Group (0992.HK/HK\$5.54) – Outperform

IBM, Lenovo's second largest shareholder, disposed of a further 11.6m shares in the latter. On completion of the transaction, IBM's stake in Lenovo has been trimmed from 5.98% to 4.72%. We expect Lenovo's revenue growth to decelerate mildly in 1QFY09 (march yearend) and are optimistic about the future prospects of its consumer segment, thanks to its being the sponsor of the Beijing Olympics. We reckon Lenovo will continue to benefit from the favourable currency environment in the medium term. Based on our assumption of a 10% annual appreciation of the renminbi, we roughly deduce that a further 1% appreciation will lead to an increase of 6% in net profit and serve as a buffer for the margin performance.

Global Semi-equipment Producer BTB Ratio



Source: SEMI

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: Ministry of Information Industry, IDC, CEIC, CCID

TELECOMS (China)

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

- In a bid to ensure reliable telecom services in the run-up to the Olympics, industry regulator Ministry of Industry and Information Technology (MIIT) has reportedly instructed mainland telecom carriers to suspend the upgrades and expansions of their networks in the eight cities hosting the games.

China Telecom (0728.HK/HK\$4.33) – Outperform

China Telecom announced a definitive agreement for the acquisition of the CDMA business from China Unicom for Rmb43.8bn. It also unveiled a favourable network leasing agreement with parent China Telecommunications Corp, which is buying the CDMA network from Unicom's parent for Rmb66.2bn. Based on the latest information, we have cut our earnings forecast by 5% for 2008 and 13% for 2009, reflecting mainly the higher interest cost of the acquisition. While we tentatively estimate that the DCF valuation of CT will be enhanced by about 5% to HK\$7.10/share, we believe it is probably more appropriate to benchmark our valuation at 1.7x price to book (compared with the 1.4x average since listing). This gives us a target price of HK\$5.20, down from HK\$6.80, which translates to 14x forward P/E. We reaffirm our **Outperform** call on CT.

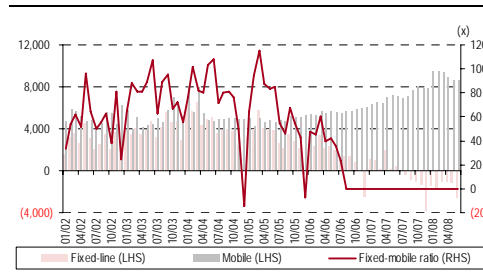
China Unicom (0762.HK/HK\$16.48; 600050.SS/Rmb6.67) – Marketperform (H&A)

China Unicom announced the net addition of 1.07m subscribers (after 1.09m in May) to a total of 127.6m. The growth was slightly below our estimate.

China Netcom (0906.HK/HK\$24.50) – Underperform

China Mobile announced the net addition of 7.55m subscribers in June, against 7.49m in May, to put its total base at 414.59m. The gain was marginally better than our estimate.

Fixed-line and Mobile Networks' Monthly Net Additions



Source: MII

Key Statistics

(m subscribers)	2007	2008E	2009E	Jan08	Feb08	Mar08	Apr08	May08
National mobile sub.	547.3	641.0	730.6	555.8	565.2	574.6	583.5	592.1
net adds	86.2	93.7	89.6	9.5	9.5	9.4	8.9	8.6
CM total subscribers	369.3	444.3	511.7	376.4	384.4	392.1	399.5	407.0
net adds in period	68.1	74.9	67.4	7.0	8.0	7.8	7.4	7.5
CU-G total sub.	119.2	136.5	154.1	121.7	122.9	124.2	125.4	126.5
net adds in period	13.3	17.4	17.6	1.1	1.2	1.3	1.2	1.1
CU-C total sub.	41.1	46.2	52.4	42.2	42.5	42.8	43.1	43.2
net adds in period	4.6	5.1	6.2	0.3	0.3	0.3	0.3	0.1
National broadband sub	66.5	82.1	96.1	68.3	69.8	71.5	72.9	74.4
net adds in period	15.6	15.6	14.0	1.8	1.5	1.7	1.5	1.5
CT broadband sub.	35.7	43.0	49.6	36.3	37.0	37.7	38.4	39.1
net adds in period	7.3	7.3	6.6	0.6	0.7	0.7	0.7	0.7
CN broadband sub.	19.8	24.5	28.7	20.5	21.0	21.7	22.1	22.6
net adds in period	4.7	4.7	4.2	0.8	0.5	0.6	0.5	0.5
National fixed-line sub.	365.4	363.1	359.9	364	362	361	360	359
net adds	(2.3)	(2.3)	(3.2)	(1.5)	(1.8)	(1.1)	(1.0)	(1.1)

Sources: MII, Company data, BOCI Research estimates

TELECOMS (Hong Kong)

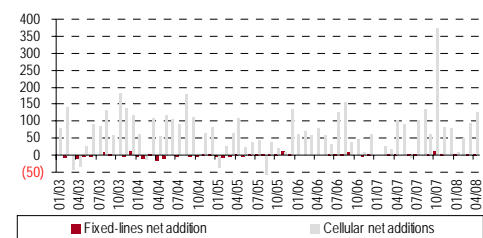
HK listed – Underperform

- Industry regulator the Office of the Telecommunications Authority says that over 81% of Hong Kong households enjoy a genuine choice of at least two fixed-line network operators, demonstrating the success of facility-based competition in the fixed-line market. OFTA says this justifies the withdrawal from July of the mandatory Type-II interconnection introduced in 1995.

PCCW Ltd (0008.HK/HK\$4.89) – Outperform

Barely two weeks after inviting potential investors to indicate their interests in acquiring a maximum 45% stake in its core telecoms-media-IT operation, PCCW has apparently received quite a number of replies with prices indicated at the upper end of our estimated range. Local newspapers, such as the South China Morning Post, have said that there are eight to 10 bidders offering some US\$2.5bn each. This is encouraging news and cements our confidence in the stock amid a falling market. We maintain our target price of HK\$6.10 and reaffirm our **Outperform** rating.

Fixed-line and Mobile – Monthly Net Adds



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

Key Statistics

(m subscribers)	07	08E	09E	Nov07	Dec	Jan08	Feb	Mar	Apr
Fixed-line installed	3.72	3.78	3.82	3.87	3.72	3.72	3.73	3.74	3.74
Business	1.74	1.78	1.81	1.74	1.74	1.75	1.74	1.75	1.75
Residential	1.98	1.99	2.01	2.13	1.98	1.98	1.99	1.99	1.99
Ported fixed-line numbers	15.17	13.51	13.31	17.03	15.37	14.03	11.43	11.43	N/A
Internet connections	2.68	2.77	2.82	2.66	2.68	2.68	2.69	2.70	2.70
Narrowband dialup	0.96	0.96	0.95	0.95	0.96	0.96	0.96	0.96	0.97
Residential broadband	1.72	1.81	1.87	1.71	1.72	1.72	1.73	1.74	1.74
Cellular users	9.63	10.50	11.25	9.55	9.63	9.64	9.69	9.79	N/A
IDD traffic (m minutes)	9.50	10.26	10.88	8.70	9.50	0.84	1.57	2.42	3.27
Outgoing	7.24	7.96	8.56	6.63	7.24	0.63	1.18	1.82	2.47
Incoming	2.26	2.30	2.32	2.06	2.26	0.21	0.39	0.59	0.80

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

TRANSPORT – Aviation

*HK listed – Marketperform
A listed – Marketperform*

- The surging price of oil saw airlines secure government permission to raise jet fuel surcharges further on long-haul international routes from Rmb800 to Rmb1,100 per single trip effective 10 July. The weighted jet fuel price for domestic flights rose a further Rmb720/ton from 1 July after the increase of Rmb1,500/ton effective 20 June. However, no permission to raise domestic jet fuel surcharge was granted after the last increase to Rmb80 trip from Rmb60 per single for domestic flights of 800km or less and to Rmb150 from Rmb100 for longer distances effective 1 July.
- Chinese airlines have been facing from weak demand in the past several months and, in June, the situation possibly hit the worst. The sector's revenue passenger kilometres (RPK) decreased 3.6% YoY to 21,200m in June. Although the price of oil in the past month dropped from a record high level, the future trend still remains glaringly unstable. Nevertheless, the lowering of the price of oil has injected some upward momentum to airlines.

Air China (0753.HK/HK\$4.50; 601111.SS/Rmb10.24) – Marketperform

Air China's RPK in June fell 6.1% YoY to 5,234m, while its passenger load factor (PLF) declined 5.0ppts YoY to 72.5%.

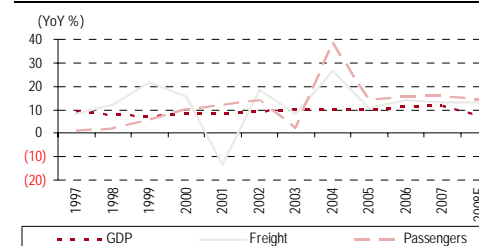
China Southern Airlines (1055.HK/HK\$3.55; 600029.SS/Rmb8.02) – NR

CSA's RPK in June decreased 4.4% YoY to 5,924m, while its PLF slightly dropped 0.1ppt YoY to 71.4%.

China Eastern Airlines (0670.HK/HK\$2.63; 600115.SS/Rmb7.93) – NR

CEA's RPK in May decreased 12.19% YoY to 3,948m, while PLF declined 1.9ppts YoY to 70.1%.

Passengers, Freight & GDP YoY Growth



Sources: NBS, BOCI Research estimates

Key Statistics

	05	06	07	Jan08	Feb	Mar	Apr	May	Jun
RPK YoY %									
Air China	13	15	14	18	10	1	0	(7)	(6)
CSA	67	12	15	22	13	6	6	1	(4)
CEA	32	38	12	14	5	2	0	(0)	(12)
Passenger loading factor (%)									
Air China	74	76	77	77	77	78	77	71	73
CSA	70	72	73	74	74	75	77	70	71
CEA	69	71	70	72	71	73	73	68	70

Sources: Bloomberg, Company data, BOCI Research estimates

TRANSPORT – Land

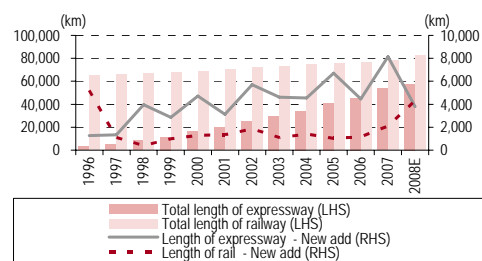
HK listed – Outperform
A listed – Outperform

- The total national land transport passenger volume in 1H08 increased 5.9% YoY to 10.8bn, while the passenger turnover volume rose 8.3% YoY to 615.6bn person kilometres, compared to growth rates of 5.9% YoY and 3.6% YoY in 1H07, respectively. The land transport passenger volume and land passenger turnover volume represented 92.2% and 53.6%, respectively, of the entire national passenger transport, both decreasing 0.1% YoY.

Shandong Expressway (600350.SS/HK\$5.49) – Outperform

Shandong Expressway announced a proposal to acquire the North Dezhou Section, which is part of the Beijing-Fuzhou Expressway and the Beijing-Shanghai Expressway within Shandong Province. It is one of the busiest expressway sections in Shandong Province and to the north of the Jinan-Dezhou section. The section opened for traffic in November 1997 and has an operational period of 25 years. According to the disclosure, this section posted toll revenue of Rmb322m in 2005, Rmb331m in 2006 and Rmb386m in 2007, representing a CAGR of 9.49%. This is a fully operational mature section and the purchase will help to expand the company's core business. The consideration of Rmb2.46bn is equivalent to the appraised book value with a valuation appreciation rate of 356.44%. Assuming a 2008 top-line growth of 9.49% and applying a net margin of 37%, we believe the forward P/E multiple for the consideration is close to 15.7x, fair, but not cheap. We lower our target price from Rmb10.05 to Rmb8.03, equivalent to 18x 2008 P/E.

Total Length of Railway and Expressway



Sources: MOC, CEIC

Key Statistics

	07	08E	09E	Jan08	Feb	Mar	Apr	May	Jun
Railway									
Passenger carried (person, bn)	1,357	1,548	1,718	119	129	119	119	117	115
Passenger turnover (person-km, bn)	722	809	897	65	74	70	65	60	60
Freight carried (tonne, bn)	3,142	3,371	3,641	267	257	286	276	283	275
Freight turnover (tonne-km, bn)	2,379	2,445	2,592	202	183	219	213	218	211
FAI (Rmb bn)	236	331	480	11	n/a	16	23	14	17
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	98	107	104	100	104	102
Freight carried (tonne, bn)	16	17	19	1	1	1	1	2	2
Freight turnover (tonne-km, bn)	1,136	1,187	1,317	95	90	102	105	109	113
FAI (Rmb bn)	690	794	913	36	n/a	39	45	56	81

Sources: CEIC, MOC, BOCI Research estimates

TRANSPORT – Marine

HK listed – Outperform
A shares – Outperform

- The Baltic Dry Index (BDI) corrected further, dropping 13% MoM from 9,589 points to 8,341 points at end-July. The year-to-date average closing of the index stood at 8,633.8.
- Rate for very large crude carriers (VLCC) softened in July, falling 21.7% MoM from WS150 to WS117.5. The year-to-date average closing was WS114.1.

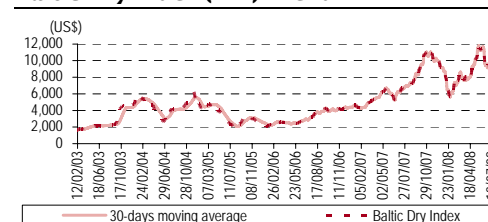
Sinotrans Shipping Ltd (0368.HK/HK\$3.89) – Outperform

SSL posted encouraging results for 1H08 and we believe that it will continue to benefit from the robust market momentum for the rest of the year. To account for the disposals of the two wholly owned single-hull very large crude carriers (VLCC) this year and reflect the change in our daily rate assumptions, we raise our earnings forecasts by 20.1% to US\$369.4m for 2008 and 6.1% to US\$355.3m for 2009. We reaffirm our **Outperform** rating on SSL, but cut our target price from HK\$8.45 to HK\$6.20, based on a more conservative approach, using the current asset break-up value. Thus, we have not taken into account any business value for SSL's assets, and have totally ignored the potential value enhancement from the possible asset injection. Even so, SSL's current share price is still at a deep discount to our target level and we strongly recommend investors buy into the stock.

Orient Overseas (International) Limited (0316.HK/HK\$34.60) – Underperform ↓

The surge in bunker prices and slowdown in the US economy have weighed heavily on the operations of the container shipping division of OOIL. As the slowdown of the US economy is inevitable and growth in Europe is also slowing, we believe that the operating environment for container liners will turn more severe. Also, bunker cost is likely to stay high and continue to erode its profitability. As such, we lower our earnings forecasts for OOIL by 28.6% to US\$352.3m for 2008 and 53.5% to US\$254.1m for 2009. We think OOIL faces a tough business cycle ahead and, thus, we evaluate our new target price by using downcycle multiples. We cut our target price HK\$56.60 to HK\$23.10, representing a 2009E P/B of 0.4x. We downgrade OOIL to **Underperform** from Outperform, as we believe that the downside risk for its operations remains high under the current conditions.

Baltic Dry Index (BDI) Trend



Sources: Bloomberg

Key Statistics

% YoY	06	07	08E	Jan08	Feb	Mar	Apr	May	Jun
Shenzhen	14	10	15	18	(9)	43	5	12	(0)
Shanghai	20	25	15	26	3	18	9	8	9
Dalian	21	20	27	41	7	43	14	26	19
Tianjin	24	28	20	18	23	23	23	23	19
Qingdao	22	24	20	10	19	7	5	6	6
Xiamen	20	18	10	13	(1)	11	10	19	9
Ningbo	36	30	25	26	14	22	15	11	16
Guangzhou	41	40	35	49	22	41	28	34	44

Sources: MOC, BOCI Research estimates

BOCI Stock Universe

China – HK

RIC Company	Price Y/E (01/08/08)	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 AvicChina (H)	Dec	1.50	15 (26)	14	2,508 (0.10)	(0.09)	-	-	59	11	0.0	0.0	0.0	Wang Yusheng	U	0.88
1114 Brilliance Auto (R)	Dec	0.87	(8) (50)	12	1,947 (0.02)	0.02	(38.1)	38.1	-	(200)	0.0	0.0	0.0	Eric Hu	U	1.32
0203 Denway Motors (R)	Dec	2.78	(8) (45)	60	12,956	0.39	0.42	7.2	6.6	17	9	6.6	7.0	Eric Hu	OP	4.10
0489 Dongfeng Motor Group (H)	Dec	3.38	8 (39)	68	9,610	0.50	0.57	6.7	5.9	0	14	1.7	1.7	Eric Hu	OP	5.05
0300 Kunming Machine (H/A)	Dec	6.70	3 (39)	3	502	0.82	1.19	8.2	5.6	26	44	3.6	5.3	SHI Qi	OP	26.25
0425 Minth Group (P)	Dec	5.01	(9) (57)	7	2,678	0.61	0.85	8.2	5.9	33	39	1.2	2.0	Eric Hu	OP	15.30
1122 Qingling Motors (H)	Dec	1.30	4 (14)	2	968	0.08	0.09	16.3	14.2	17	14	2.6	3.5	Eric Hu	OP	2.47
2338 Weichai Power (H/A)	Dec	39.40	18 (31)	42	4,927	5.19	6.89	7.6	5.7	4	33	1.3	1.8	Eric Hu	OP	60.30
Average			3 (37)	26	36,096	0.93	1.24	2.3	11.7	22	(4)	2.1	2.7			
Chemicals																
0549 Jilin Qifeng (H)	Dec	0.33	(13) (44)	0	86	0.14	0.24	2.4	1.4	53	72	24.2	24.2	Ni Xiaoman	U	0.95
0338 Shanghai Petrochem (H/A)	Dec	2.62	(2) (46)	75	6,036 (0.27)	0.01	(9.8)	287.1	(203)	(103)	0.0	0.0	0.0	Lawrence Lau	U	2.84
0297 Sinofer HK Hldg (R)	Dec	5.56	(8) (24)	113	10,089	0.38	0.48	14.7	11.5	77	28	0.5	0.6	Ni Xiaoman	OP	8.05
1033 Yizheng Chemical (H/A)	Dec	1.12	(5) (58)	26	1,568	0.01	0.02	109.1	65.5	(50)	(67)	0.0	0.0	Lawrence Lau	U	1.37
Average			(7) (43)	54	17,779	0.06	0.19	29.1	91.4	(59)	(47)	0.2	0.2			
Conglomerates																
0291 China Resources (R)	Dec	20.80	(7) (38)	109	23,248	1.06	1.31	19.6	15.9	7	23	2.2	2.7	Ashley Cheung	U	20.30
Average			(7) (38)	109	23,248	1.06	1.31	19.6	15.9	7	23	2.2	2.7			
Consumer Products																
2020 Anta Sports Products (P)	Dec	6.14	0 (43)	27	4,281	0.32	0.47	19.2	13.1	12	46	2.6	3.7	Charles Law	OP	8.76
3818 China Dongxiang (P)	Dec	2.98	(5) (49)	64	7,613	0.18	0.24	16.3	12.4	0	31	2.3	3.1	Charles Law	OP★	5.61
0506 China Foods (R)	Dec	3.47	(4) (40)	9	2,470	0.16	0.23	21.2	15.4	27	38	1.6	2.2	Jenny Chan	OP	4.90
0359 China Haisheng Juice (P)	Dec	1.25	(15) (36)	1	501	0.35	0.36	3.6	3.4	131	5	4.6	5.5	Jenny Chan	OP	2.50
0904 China Green	April	8.12	(12) (3)	18	3,870	0.49	0.59	16.6	13.7	8	21	1.7	2.0	Jenny Chan	OP	12.15
3398 China Ting (P)	Dec	1.28	2 (35)	1	782	0.23	0.27	5.6	4.7	5	17	11.7	13.3	Frank He	OP	2.08
0828 Dynasty Fine Wines (R)	Dec	1.34	(2) (57)	2	467	0.14	0.17	9.6	8.1	16	18	6.0	6.8	-	U	2.80
1169 Haier Electronics (P)	Dec	1.27	(15) (23)	2	641	0.16	0.20	8.0	6.2	19	28	3.3	4.2	Frank He	NR	-
1044 Hengan International	Dec	23.55	2 (33)	52	10,973	1.09	1.43	21.6	16.5	24	31	3.1	4.1	Sarah Xing	OP★	28.86
0124 Kingway Brewery (R)	Dec	1.07	(2) (51)	1	1,310	0.00	0.00	-	0.0	0	0	0.0	0.0	-	U	0.96
2319 Mengniu Dairy (P)	Dec	23.60	7 (17)	138	22,548	0.95	1.21	24.9	19.5	26	28	0.8	0.9	Zhao Zongjun	OP	29.40
2331 Li Ning (P)	Dec	18.96	5 (35)	82	13,602	0.78	0.96	24.4	19.8	51	24	2.0	2.5	Charles Law	U	18.14
157 Natural Beauty (P)	Dec	1.50	(3) (40)	2	1,041	0.11	0.13	13.6	11.2	24	22	5.9	7.1	Sarah Xing	OP	2.33
1070 TCL Multimedia (R)	Dec	0.28	(5) (47)	7	555	0.06	0.07	4.7	4.0	(100)	(17)	0.0	0.0	-	OP	0.91
0322 Tingyi (P)	Dec	9.30	(4) (26)	56	11,786	0.00	0.00	-	0.0	0	0	2.4	0.0	-	U	1.05
0168 Tsingtao Brewery (H/A)	Dec	17.00	7 (35)	40	4,007	0.78	1.02	21.9	16.7	58	31	4.6	6.0	Zhao Zongjun	MP	24.50
3331 Vinda International	Dec	2.40	3 (43)	5	1,258	0.12	0.19	20.0	12.6	33	58	1.3	2.1	Sarah Xing	OP	2.90
2698 Weiqiao Textile (H)	Dec	6.66	10 (40)	12	2,783	1.71	1.84	3.9	3.6	(4)	7	7.7	8.2	Frank He	U	8.20
2088 Xiwang Sugar (P)	Dec	2.70	2 (20)	2	932	0.64	0.80	4.2	3.4	28	26	7.1	8.9	Jenny Chan	OP	5.80
8259 Yantai North Andre Juice (H)	Dec	0.68	(7) (13)	3	718	0.12	0.13	5.8	5.4	96	9	5.2	5.5	Jenny Chan	OP	1.46
Average			(2) (34)	26	92,137	0.42	0.52	13.6	9.5	23	21	3.7	4.3			
Consumer Services																
1880 Belle International (P)	Dec	7.95	13 (33)	127	33,889	0.32	0.40	25.0	20.1	26	24	1.4	1.4	Ashley Cheung	MP★	8.10
3308 Golden Eagle	Dec	6.70	(12) (18)	11	3,289	0.31	0.40	21.8	16.8	69	30	1.6	2.0	Li Du	OP★	9.10
0493 Gome Electrical (P)	Dec	3.47	(6) (30)	112	25,312	0.22	0.28	15.5	12.5	36	24	2.5	2.5	Ashley Cheung	OP	23.70
2006 Jin Jiang Hotel (H)	Dec	1.78	1 (44)	7	2,910	0.10	0.13	17.6	14.0	49	26	2.5	3.1	Kitty Cheung	OP	5.15
0980 Lianhua Supermarket (H)	Dec	10.80	8 3	8	3,009	0.57	0.66	19.0	16.2	65	17	2.1	2.1	Ashley Cheung	OP	10.50
1832 Times (P)	Dec	3.00	0 (19)	0	656	0.20	0.27	14.8	11.3	46	31	3.8	3.8	Ashley Cheung	OP	4.10
8277 Wumart Stores (H)	Dec	7.44	5 12	8	5,010	0.37	0.46	20.1	16.2	32	24	1.5	3.1	Ashley Cheung	OP	9.15
3389 Xinyu Hengdell (P)	Dec	3.24	11 (26)	9	1,948	0.25	0.32	12.9	10.1	38	27	2.8	3.5	Sarah Xing	OP	4.65
Average			2 (16)	27	7,380	0.29	0.36	17.4	14.0	45	25	2.5	2.9			
Energy																
0606 China Agri-Industries (R)	Dec	5.68	(0) 9	648	8,641	0.44	0.49	12.8	11.5	38	11	1.6	1.7	Lawrence Lau	OP	6.26
1898 China Coal (H/A)	Dec	13.82	1 (44)	649	56,804	0.94	1.33	14.7	10.4	61	41	1.4	1.9	Lawrence Lau	OP	18.79
2883 China Oilfield Services (H/A)	Dec	11.54	(18) (35)	111	17,688	0.81	0.89	14.2	13.0	31	10	1.7	1.8	Lawrence Lau	OP	20.25
0883 CNOOC (R)	Dec	11.64	(13) (12)	1,917	149,549	1.15	1.16	10.2	10.0	40	1	3.0	3.0	Lawrence Lau	OP	16.27
0639 Fushan Energy	Dec	5.65	(6) 12	33	8,527	0.17	0.85	32.8	6.6	(606)	397	0.0	6.2	Lawrence Lau	OP★	8.71
0857 PetroChina (H/A)	Dec	10.52	4 (24)	1,901	221,961	0.88	0.95	12.0	11.1	(5)	8	3.8	4.1	Lawrence Lau	MP	10.18
1088 Shenhua Energy (H/A)	Dec	28.80	(6) (38)	909	97,954	1.60	1.87	18.0	15.4	27	16	1.9	2.3	Lawrence Lau	OP	40.07
0386 Sinopec (H/A)	Dec	8.18	14 (30)	1,648	137,260	0.64	0.77	12.9	10.7	(15)	20	2.0	2.4	Lawrence Lau	MP	8.22
1171 Yanzhou Coal (H/A)	Dec	14.00	(3) (9)	474	27,403	1.60	2.08	8.8	6.7	113	30	2.9	3.7	Lawrence Lau	OP	20.94
Average			(3) (19)	921	725,789	0.91	1.15	15.1	10.6	(35)	59	2.0	3.0			

China – HK

RIC Company	Price Y/E (01/08/08)	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	3.61	4 (4)	1,114	274,908	0.35	0.42	10.2	8.6	41	19	4.1	5.1	Yuan Lin	OP	4.00
3328 Bank of Communications (H/A)	Dec	10.04	10 (8)	690	68,866	0.79	0.84	12.8	11.9	64	7	2.7	3.0	Yuan Lin	OP	11.40
0998 China Citic Bank (H/A)	Dec	5.00	14 2	218	62,453	0.47	0.56	10.7	8.9	78	20	3.6	4.3	Yuan Lin	OP	5.45
0199 China Construction Bank (H/A)	Dec	6.98	11 6	1,879	291,160	0.52	0.55	13.3	12.7	53	4	3.4	3.4	Yuan Lin	MP	7.00
0165 China Everbright (R)	Dec	14.62	(3) (41)	180	10,617	1.20	1.24	12.2	11.8	(62)	3	0.8	0.8	K.W. Wong	OP	19.10
0966 China Insurance (R)	Dec	17.66	(5) (17)	46	9,825	0.14	0.29	126.1	60.9	(87)	107	0.1	0.2	K.W. Wong	MP★	17.40
2628 China Life (H/A)	Dec	30.15	10 (25)	2,305	221,569	0.88	1.06	34.3	28.4	(44)	21	0.9	1.4	Yuan Lin	MP	31.20
3968 China Merchant Bank (H/A)	Dec	28.20	15 (11)	880	74,653	1.95	2.18	14.5	12.9	64	12	1.6	1.7	Yuan Lin	MP	25.00
0133 CM China Direct Investments	Dec	21.70	(9) (39)	10	1,877	-	-	-	-	-	-	-	-	K.W. Wong	NR	-
1398ICBC (H/A)	Dec	5.90	11 5	1,737	262,105	0.47	0.51	12.6	11.5	71	10					

China – HK

RIC Company	Price Y/E (01/08/08)	1M chg (\$)	YTD (%)	3M avg. daily T/O (\$HK\$m)	Free float (HK\$m)	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E (x)	P/E (x)	EPS gr. (%)	EPS gr. (%)	Yield (%)	Yield (%)	Analyst	Rec	Target price (HK\$)	
Property																	
3383 Agile Property (P)	Dec	7.30	7 (49)	194	11,376	1.62	1.24	4.5	5.9	154	(24)	6.7	5.2	Kitty Cheung	OP	12.24	
2868 Beijing Capital Land (H)	Dec	1.92	(10)	(59)	9	1,846	0.38	0.48	5.1	4.0	29	25	7.8	9.9	Kitty Cheung	MP	3.70
0588 Beijing North Star (H/A)	Dec	2.23	6 (53)	4	1,174	0.30	0.00	7.5	0.0	20	0	3.3	0.0	-	U	1.90	
0688 China Overseas (R)	Dec	14.20	15 (12)	514	53,443	0.87	1.21	16.4	11.7	33	40	1.1	1.5	Manfred Ho	OP	16.30	
1109 China Resources Land (R)	Dec	10.28	(5)	(40)	223	15,755	0.51	0.95	20.1	10.9	31	85	1.1	1.7	Manfred Ho	OP	13.62
2007 Country Garden (P)	Dec	4.75	(6)	(47)	99	13,211	0.54	1.09	8.9	4.3	74	104	3.4	7.0	Kitty Cheung	OP	7.56
3900 Greentown China (H)	Dec	6.56	9 (46)	14	3,694	1.01	1.23	6.5	5.4	45	21	4.9	5.9	Kitty Cheung	U	7.20	
0563 Neo-China Group (P)	Apr	5.09	0 (26)	8	17,005	0.73	0.74	7.0	6.9	43	1	3.1	4.4	Kitty Cheung	OP	13.20	
1207 Shanghai Real Estate (P)	Dec	0.88	5 (56)	8	639	0.34	-	2.6	0.0	28	0	11.0	0.0	-	MP	1.96	
0604 Shenzhen Investment (R)	Dec	2.71	(4)	(51)	53	4,012	0.52	0.79	5.2	3.4	(16)	50	5.9	8.8	Kitty Cheung	OP	4.50
0272 Shui On Land (P)	Dec	6.76	4 (26)	204	12,731	0.48	0.63	14.1	10.8	(29)	31	1.5	2.0	Kitty Cheung	MP	8.00	
3377 Sino-ocean Land (R)	Dec	5.23	19 N/A	204	7,866	0.46	0.70	11.3	7.5	5	51	3.5	5.2	Kitty Cheung	OP	6.50	
Average			3 (42)	127	123,509	0.65	0.82	9.3	5.7	26	36	4.3	4.1				
Technology																	
3355 ASMC (H)	Dec	0.21	(10)	(47)	0	97	0.08	0.11	2.5	1.9	15	34	0.0	0.0	-	OP	1.10
1211 BYD (H)	Dec	8.14	(19)	(40)	22	1,231	3.55	3.87	2.3	2.1	8	9	8.7	9.5	-	OP	42.90
0861 Digital China (R)	Mar	5.10	(1)	(10)	5	2,133	0.42	0.58	12.3	8.8	75	40	2.9	3.9	Ashley Cheung	OP	8.70
0992 Lenovo Group (R)	Mar	5.54	5 (21)	209	24,030	0.40	0.43	13.9	12.9	183	8	2.8	4.2	Frank He	OP	7.56	
0981 SMIC (P)	Dec	0.42	(6)	(49)	35	6,618	(0.01)	0.07	-	6.0	(50)	(1,000)	0.0	0.0	-	U	0.60
0763 ZTE (H/A)	Dec	38.90	4 (30)	84	6,348	2.04	2.68	19.1	14.5	54	31	0.9	1.0	Allan Ng	OP	48.00	
Average			(4)	(23)	59	40,458	1.08	1.29	10.0	7.7	47	(146)	2.6	3.1			
Telecoms																	
0941 China Mobile (R)	Dec	105.80	1 (23)	3,466	537,598	6.14	6.69	17.2	15.8	24	9	2.8	3.1	Allan Ng	U	127.00	
0906 China Netcom (R)	Dec	24.50	15 (4)	278	37,967	1.67	1.64	14.6	14.9	5	(2)	2.7	2.7	Allan Ng	U	30.20	
0728 China Telecom (H)	Dec	4.33	2 (30)	710	59,924	0.35	0.38	12.5	11.4	9	10	1.8	1.7	Allan Ng	OP	5.20	
0762 China Unicom (R/A)	Dec	16.48	14 (8)	467	65,064	0.72	0.83	22.8	19.7	17	15	1.7	2.1	Allan Ng	MP	20.00	
Average			8 (14)	1,230	700,554	2.22	2.39	16.8	15.5	14	8	2.3	2.4				
Transport																	
0753 Air China (H/A)	Dec	4.50	17 (61)	253	19,825	0.28	0.22	15.9	20.2	(28)	(21)	2.6	0.5	Du JianPing	MP	3.72	
0995 Anhui Expressway (H/A)	Dec	5.25	(7)	(27)	3	2,438	0.49	0.51	10.7	10.4	51	3	4.1	4.1	Patrick Li	MP	7.18
0694 Beijing Capital Airport (H)	Dec	6.55	1 (51)	86	8,817	0.30	0.00	21.7	0.0	(12)	0	0.7	0.0	-	U	4.54	
0670 China Eastern Airlines (H/A)	Dec	2.63	7 (66)	62	4,736	0.00	0.00	-	0.0	100	0	0.0	0.0	-	U	1.02	
0144 China Merchants (R)	Dec	29.45	(2)	(39)	202	30,733	1.76	1.87	16.7	15.7	17	6	2.7	2.9	Jimmy Lam	MP	38.30
1138 China Shipping (H/A)	Dec	24.85	6 (21)	164	32,234	2.21	2.65	11.2	9.4	42	20	3.4	4.0	Jimmy Lam	OP	30.05	
1055 China Southern Airlines (H/A)	Dec	3.55	15 (65)	73	7,609	0.00	0.00	-	0.0	100	0	0.0	0.0	-	U	1.80	
1199 COSCO Pacific (R)	Dec	14.00	10 (33)	91	14,726	1.22	1.44	11.5	9.7	(17)	18	4.5	0.5	Jimmy Lam	OP	25.50	
2866 CSCL (H)	Dec	2.41	(21)	(47)	200	5,813	0.00	0.00	-	0.0	-	0	0.0	0.0	-	NR	
0525 GS Railway (H/A)	Dec	3.88	9 (31)	25	5,552	0.24	0.30	16.2	13.1	5	24	2.6	2.9	Patrick Li	MP	4.80	
0177 Jiangsu Expressway (H/A)	Dec	6.64	4 (22)	55	8,029	0.47	0.57	14.2	11.7	26	21	5.8	7.0	Patrick Li	OP	7.75	
0357 Meilan Airport (H)	Dec	6.13	(15)	(38)	1	1,392	0.29	0.00	21.5	0.0	(4)	0	1.5	0.0	-	U	3.60
0548 Shenzhen Expressway (H/A)	Dec	4.30	(6)	(50)	20	3,188	0.40	0.59	10.7	7.2	14	48	4.8	7.4	Patrick Li	OP	7.04
0716 Singamas (P)	Dec	1.92	(5)	(43)	5	769	0.63	0.67	3.0	2.9	69	6	7.7	8.1	Jimmy Lam	OP	4.70
0368 SinoTrans Shipping (R)	Dec	3.89	(3)	(41)	27	4,979	0.70	0.70	5.5	5.5	125	0	6.0	6.0	Jimmy Lam	OP	6.20
0576 Zhejiang Expressway (H)	Dec	5.55	(8)	(56)	41	7,954	-	-	-	0.0	0	0.0	0.0	-	U	4.77	
Average			0 (41)	82	158,794	0.60	0.63	13.2	6.6	32	8	2.9	2.7				
Utilities																	
0392 Beijing Enterprises (R)	Dec	28.85	13 (22)	42	10,469	1.65	2.04	17.5	14.1	(1)	24	1.4	1.4	-	OP	42.80	
2380 China Power Int'l (R)	Dec	2.42	11 (34)	30	3,926	0.14	0.18	17.3	13.4	(13)	29	3.8	3.8	-	OP	3.60	
0836 China Resources Power (R)	Dec	17.18	(10)	(36)	163	27,870	0.87	1.06	19.7	16.2	(1)	22	1.6	1.7	-	OP	18.00
0991 Datang Int'l (H/A)	Dec	4.72	2 (32)	218	6,762	0.19	0.38	24.3	12.5	(43)	94	2.9	2.9	-	OP	8.00	
0270 Guangdong Investment (R)	Dec	3.04	(4)	(32)	21	6,144	0.00	0.00	-	0.0	0	0.0	0.0	-	OP	4.16	
1071 Huadian Power (H/A)	Dec	2.23	8 (44)	53	3,191	0.09	0.19	24.4	11.5	(60)	113	3.1	3.1	-	OP	3.45	
0902 Huaneng Power (H/A)	Dec	5.32	(2)	(35)	211	16,033	0.31	0.46	17.3	11.7	(47)	48	6.4	6.4	-	OP	7.15
1083 Tonggas China (P)	Dec	3.22	(14)	(22)	6	1,597	0.17	0.27	18.9	11.9	(113)	59	0.0	0.0	-	OP	5.54
1065 Tianjin Capital (H/A)	Dec	2.08	0 (45)	5	719	0.24	0.00	8.7	0.0	5	0	4.4	0.0	-	U	1.80	
2688 Xinao Gas (P)	Dec	13.10	(2)	(15)	15	6,125	0.71	0.82	18.5	16.0	22	16	1.3	1.3	-	MP	12.40
Average			0 (32)	76	82,836	0.44	0.54	18.5	10.7	(3)	40	2.5	2.1				

HK – HK

RIC Company	Price Y/E (01/08/08)	1M chg. (\$)	YTD (%)	3M avg. daily T/O (\$HK\$m)	Free float mkt. cap. (HK\$m)	EPS 08E (HK\$)	EPS 09E (HK\$)	P/E (x)	P/E (x)	EPS gr. (%)	EPS gr. (%)	Yield (%)	Yield (%)	Analyst	Rec	Target price (HK\$)	
Consumer Products																	
1388 Embry Form	Jun	2.06	(11)	(67)	2	207	0.31	0.39	6.6	5.3	0	26	5.8	7.3	Charles Law	OP	6.15
0330 Esprit	Jun	81.60	1 (30)	294	84,309	4.37	5.05	18.7	16.2	17	16	4.1	4.7	-	OP	93.00	
0420 Fountain Set	Aug	0.75	(24)	(62)	1	381	0.35	0.42	2.1	1.8	25	20	24.0	28.0	-	U	2.50
0709 Giordano	Dec	3.16	(1)	(16)	15	4,620	0.22	0.25	14.3	12.7	12	13	7.0	7.0	Frank He	OP	3.80
0393 Glorious Sun	Dec	3.62	(6)	(24)	1	1,725	0.29	0.32	12.5	11.3	21	10	8.0	8.8	Frank He	MP	4.28
0494 Li & Fung	Dec	26.40	12 (16)	299	55,733	1.07	1.24	24.7	21.3	23	16	3.3	3.8	-	MP	26.00	
0590 Luk Fook Holdings	Mar	4.17	(0)	(43)	4	1,087	0.49	0.57	8.5	7.3	29	16	6.0	7.0	Charles Law	OP	8.59
1382 Pacific Textiles	Mar	1.32	(7)	(37)	1	984	0.39	0.43	3.4	3.1	0	10	52.3	9.8	Frank He	OP	4.20
589 Ports Design	Dec	20.80	(7)	(24)	29	7,088	1.03	1.36	20.3	15.3	29	32	3.1	4.1	Frank He	OP	30.50
0210 Prime Success	Dec	4.22	(2)	(27)	13	3,643	0.33	0.40	12.9	10.4	23	24	2.7	2.7	Ashley Cheung	OP	5.80
0178 Sa Sa	Mar	3.49	(1)	9	8	1,487	0.20	0.27	17.5	12.9	33	35	6.0	7.7	Charles Law	OP	3.98
0321 Texwinca	Mar	6.84	5 (2)	15	3,812	0.57	0.72	12.0	9.5	21	26	5.3	6.3	Frank He	OP	7.50	
0333 Top Form	Mar	0.54	(2)	(39)	1	384	0.07	0.11	7.7	4.9	(42)	57	7.4	9.3	Charles Law	OP	1.23
Average			(3)	(29)	52	165,460	0.74	0.89	12.4	10.2	15	23	10.8				

HK – HK

RIC Company	Price Y/E (01/08/08)	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\$)	
Media																	
0100 Clear Media	Dec	5.10	(25)	(37)	0	1,331	0.45	0.34	11.3	14.8	62	(24)	0.0	0.0	Allan Ng	OP	6.30
1097 I-Cable	Dec	1.13	(2)	(29)	0	753	0.09	0.09	12.8	12.4	(3)	3	7.5	7.5	Allan Ng	U	1.47
0685 Mingpao	Mar	1.84	(7)	(23)	0	201	0.11	0.18	16.3	10.4	27	57	4.3	4.9	Allan Ng	OP	1.88
0282 Next Media	Mar	2.25	(25)	(19)	2	1,406	0.21	0.23	10.5	9.6	52	9	10.7	7.1	Allan Ng	OP	3.90
0018 Oriental Press	Mar	1.21	8	(11)	3	1,222	0.08	-	14.9	0.0	5	0	5.0	0.0	Allan Ng	U	1.14
0583 SCMP	Dec	2.64	0	(3)	0	2,551	0.24	0.19	11.0	13.7	14	(19)	6.8	6.8	Allan Ng	OP	3.20
0511 TVB	Dec	43.50	(3)	(7)	34	12,956	3.34	3.69	13.0	11.8	16	10	4.8	5.6	Allan Ng	OP	59.00
Average			(8)	(16)	9	20,419	0.65	0.79	12.9	10.4	19	10	5.6	4.6			
Property																	
2778 Champion REIT	Dec	3.71	3	(19)	26	3,627	0.15	0.16	24.7	23.2	(86)	7	9.2	8.4	Kitty Cheung	OP	6.00
0001 Cheung Kong	Dec	111.10	6	(23)	763	164,689	5.90	9.11	18.8	12.2	(51)	54	2.2	2.4	Manfred Ho	MP	130.80
0041 Great Eagle	Dec	22.80	(1)	(22)	32	7,537	1.45	1.70	15.7	13.4	(78)	17	2.5	3.0	Kitty Cheung	OP	34.00
0405 GZI REIT	Dec	2.83	0	(8)	4	1,953	0.21	0.24	13.5	11.8	(5)	14	7.4	8.5	Kitty Cheung	OP	3.50
0010 Hang Lung Group	Jun	35.10	1	(18)	72	29,477	0.64	2.77	9.7	12.7	2	(24)	1.9	2.0	Manfred Ho	MP	39.60
0101 Hang Lung Properties	Jun	25.10	0	(29)	224	50,955	2.29	1.70	11.0	14.7	44	(25)	3.7	4.0	Manfred Ho	MP	30.60
0012 Henderson Land	Jun	49.00	1	(33)	205	49,025	4.61	3.18	10.6	15.4	(11)	(31)	2.4	2.7	Manfred Ho	MP	60.00
0014 Hysan	Dec	22.50	5	1	43	13,768	0.83	0.85	27.1	26.5	(2)	2	2.8	2.8	Kitty Cheung	OP	25.48
0683 Kerry Properties	Dec	42.20	3	(33)	126	19,516	1.98	2.24	21.3	18.9	3	13	2.3	2.2	Manfred Ho	U	42.10
0823 The Link REIT	Mar	17.36	(2)	(3)	124	37,098	0.74	0.88	23.5	19.7	10	19	4.1	5.1	Kitty Cheung	MP	21.20
0017 New World Dev.	Jun	14.88	(6)	(46)	188	35,160	2.00	1.29	7.4	11.5	73	(35)	2.8	3.7	Manfred Ho	OP	22.80
0808 Prosperity REIT	Dec	1.51	1	(2)	2	1,356	0.06	0.05	25.2	30.2	(77)	(17)	9.3	8.6	Kitty Cheung	OP	2.00
0016 SHK Properties	Jun	118.00	12	(29)	1,021	166,636	8.31	6.37	14.2	18.5	(2)	(23)	2.1	2.5	Manfred Ho	MP	132.60
0083 Sino Land	Jun	15.88	2	(43)	155	36,420	1.25	1.02	12.7	15.6	(8)	(19)	2.4	2.6	Manfred Ho	U	17.00
Average			2	(21)	213	617,013	2.39	2.25	16.8	17.5	(13)	(3)	3.5	3.8			
Technology																	
0522 ASM Pacific	Dec	56.30	(4)	(2)	43	10,336	3.59	3.79	15.7	14.9	10	6	5.4	5.7	-	OP	74.20
0148 Kingboard	Dec	37.40	4	(19)	45	21,939	3.48	3.89	10.7	9.6	16	12	2.0	2.2	-	U	42.80
2878 Solomon Systech	Dec	0.28	(27)	(58)	3	651	0.06	0.08	4.4	3.5	33	25	17.0	19.9	-	U	0.70
0903 TPV	Dec	4.10	1	(28)	18	5,801	0.70	0.77	5.8	5.3	8	10	5.7	6.3	Frank He	OP	5.60
Average			(7)	(27)	28	38,726	1.96	2.13	9.2	8.3	17	13	7.5	8.5			
Telecoms																	
2332 Hutchison Telecom	Dec	10.16	(8)	(13)	62	14,914	0.32	0.46	31.8	22.0	742	44	1.0	1.5	Allan Ng	U	11.55
0008 PCCW	Dec	4.89	4	6	99	17,796	0.31	0.35	15.6	14.2	40	10	4.9	5.5	Allan Ng	OP	6.10
0315 SmarTone	Jun	7.67	(4)	5	3	2,227	0.47	0.62	16.4	12.3	72	33	6.3	8.1	Allan Ng	OP	10.60
Average			(3)	(1)	55	34,937	0.37	0.48	21.2	16.2	285	29	4.1	5.0			
Transport																	
0066 MTR Corporation	Dec	25.15	2	(12)	152	32,654	1.41	1.59	17.8	15.8	(48)	13	1.8	2.0	Manfred Ho	OP	29.70
0316 OOil	Dec	34.60	(11)	(40)	59	6,929	4.39	3.17	7.9	10.9	(86)	(28)	3.2	2.3	Jimmy Lam	U	23.10
2343 Pacific Basin	Dec	11.00	(1)	(13)	192	15,740	2.89	2.42	3.8	4.5	28	(16)	13.5	11.4	Jimmy Lam	OP	17.50
Average			(3)	(22)	134	55,322	2.90	2.39	9.8	10.4	(36)	(10)	6.2	5.2			
Utilities																	
0002 CLP	Dec	65.00	(3)	22	322	109,575	3.99	3.41	16.3	19.1	(10)	(15)	3.8	3.8	-	U	58.00
0003 HK & China Gas	Dec	17.48	(6)	(20)	161	57,684	0.87	0.94	20.1	18.6	(48)	8	2.0	2.0	-	OP	23.50
0006 HK Electric	Dec	45.80	(2)	2	149	59,627	3.60	2.66	12.7	17.2	3	(26)	4.4	3.3	-	U	42.00
Average			(3)	2	211	226,886	2.82	2.34	16.4	18.3	(18)	(11)	3.4	3.0			

China – A

RIC Company	Price (01/08/08) (¥)	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	24.08	26	(50)	101	680	2.86	3.76	8.4	6.4	64	31	5.9	7.8	-	OP	91.50
Average		26	(50)	101	680	2.86	3.76	8.4	6.4	64	31	5.9	7.8			
Automotive																
600166 Beiqi Foton Auto	7.03	8	(46)	36	3,649	0.52	0.57	13.5	12.3	8	10	2.3	2.4	-	MP	13.00
000625 Chongqing Changan (A/B)	5.42	14	(65)	137	3,008	0.62	0.75	8.7	7.2	82	21	3.9	5.7	Eric Hu	OP	13.50
000951 CNHTC Jinan Truck	21.20	39	(58)	87	2,465	2.29	2.89	9.3	7.3	3	26	2.2	2.7	Eric Hu	OP	37.60
600006 Dongfeng Automobile	4.04	6	(53)	34	3,232	0.31	0.34	13.0	11.9	29	10	2.5	3.7	Wang Yusheng	MP	6.80
000800 FAW Car	8.78	17	(54)	167	6,718	0.62	0.75	14.2	11.7	82	21	1.7	3.1	Wang Yusheng	MP	10.12
000927 FAW Xiali	4.72	13	(67)	45	1,506	0.25	0.45	18.9	10.5	67	80	1.3	1.9	Wang Yusheng	U	6.75
600660 Fuyao Group Glass Ind.	7.23	14	(60)	152	3,336	1.21	1.55	6.0	4.7	32	28	6.9	7.5	Wang Yusheng	OP	26.40
600418 Jianghuai Auto	4.19	8	(54)	37	3,511	1.09	1.39	16.0	3.0	18	28	5.5	8.1	Eric Hu	OP	11.50
002048 Ningbo Huaxiang	7.89	(4)	(46)	97	2,941	0.51	0.80	15.5	9.9	76	57	0.1	0.1	Wang Yusheng	OP	16.00
600303 Shuguang Automotive	6.78	12	(56)	26	783	0.82	0.91	8.3	7.5	52	11	3.7	4.0	-	OP	16.40
600686 Xiamen King Long Motor	7.83	(0)	(48)	91	2,102	1.28	1.44	6.1	5.4	38	13	2.7	2.9	Eric Hu	OP	25.90
000338 Weichai Power (A/H)	44.40	10	(49)	165	5,552	4.55	6.04	9.8	7.4	4	33	1.0	1.4	Eric Hu	OP	72.60
000581 Weifu High Tech	8.68	9	(54)	77	2,933	0.60	0.94	14.5	9.2	46	57	2.3	3.5	Wang Yusheng	OP	19.60
600066 Zhengzhou Yutong Bus	13.62	8	(49)	82	3,759	1.40	1.65	9.7	8.3	49	18	5.1	6.1	Eric Hu	OP	33.00
Average		11	(54)	88	3,250	1.15	1.46	11.7	8.3	42	29	2.9	3.8			
Chemicals																
600299 Blue Star New Materials	16.49	7	(55)	77	2,572	13.36	2.21	1.2	7.5	1,186	(83)	1.5	1.5	Ni Xiaoman	OP	47.00
000839 CITIC Guoan	14.86	19	(14)	565	6,491	0.81	1.59	18.3	9.3	40	96	1.0	1.3	Ni Xiaoman	OP	55.60
600426 Hualu Hengsheng	21.32	(6)	(20)	69	3,890	0.95	1.58	22.5	13.5	47	66	0.5	0.6	Ni Xiaoman	OP	38.10
000707 Hubei Shuanghuan S & T	11.84	4	(13)	181	1,247	0.79	0.98	15.0	12.1	286	24	0.8	2.5	Chen Tian	OP	18.17
000422 Hubei Yihua	18.20	5	(21)	172	2,833	-	-	0.0	0.0	-	-	0.0	0.0	Ni Xiaoman	U	4.00
600423 Luzhou Chemical	16.77	9	(25)	94	2,605	0.72	1.00	23.2	16.7	41	39	0.3	0.4	Ni Xiaoman	OP	20.00
000792 Qinghai Salt Lake Potash	88.12	0	13	89	34,447	2.97	3.59	29.7	24.5	130	21	1.5	1.6	Ni Xiaoman	OP	104.00
600409 Sanyou Chemical Industries	9.09	3	(25)	286	4,951	0.76	0.83	12.0	10.9							

China – A

RIC	Company	Price (010808)	1M chg.	YTD chg.	3M avg. daily T/O	Free float mkt. cap. [^]	EPS 08E	EPS 09E	P/E 08E	P/E 09E	EPS gr. 08E	EPS gr. 09E	Yield 08E	Yield 09E	Analyst	Rec	Target price (Y)
		(Y)	(%)	(%)	(Y m)	(Y m)	(Y)	(Y)	(x)	(x)	(%)	(%)	(%)	(%)			(Y)
Consumer Services																	
600258	Beijing Capital Tourism	22.01	(5)	(55)	105	2,002	0.30	0.25	73.1	88.0	(43)	(17)	0.5	0.5	Liu Du	U	15.40
600828	Chengdu People's Dept Store	17.86	3	(16)	11	1,281	0.65	0.83	27.5	21.5	41	28	1.1	1.4	Liu Du	OP	29.05
600693	Fujian Dongbai Group	14.85	9	(1)	37	3,070	0.43	0.58	34.5	25.6	87	35	0.6	1.1	Liu Du	OP	19.70
000978	Gullin Tourism	12.45	18	(47)	20	1,164	0.55	0.69	22.6	18.0	83	25	0.4	0.6	Tracy Feng	OP	28.34
600754	Jinjiang Development (A/B)	13.21	20	(35)	24	2,868	0.49	0.54	27.0	24.5	11	10	3.0	3.3	Liu Du	OP	18.30
600832	Oriental Pearl	7.24	11	(37)	103	7,292	0.19	0.20	38.7	37.1	36	4	0.7	0.7	Liu Du	U	12.30
600859	Wangfujing Dept Store	36.14	(1)	(28)	58	7,172	1.17	1.53	30.9	23.6	73	31	0.8	1.1	Liu Du	OP	51.20
Average			9	(32)	50	2,946	0.19	0.20	38.7	37.1	36	4	0.7	0.7			
Energy																	
601898	China Coal (A/H)	13.27	(18)	-	781	20,234	0.70	1.01	19.1	13.1	58	45	1.2	1.8	Lawrence Lau	OP	16.35
601808	China Oilfield Service (A/H)	21.86	(6)	(36)	150	11,005	0.71	0.79	30.7	27.8	32	10	0.8	0.8	Lawrence Lau	OP	26.56
600348	Guoyang New Energy	18.62	(15)	(30)	382	3,762	1.42	2.10	13.1	8.9	38	48	3.4	5.1	Grace Tang	OP	42.60
000617	Jinan Disesel Engine	12.15	8	(68)	41	1,166	0.69	0.76	17.6	16.0	68	10	0.5	0.7	Grace Tang	MP	19.00
600123	Lanhua Sci-Tech	24.97	(2)	(26)	270	4,686	1.67	1.77	15.0	14.1	18	6	2.0	2.1	Grace Tang	MP	50.00
601699	Lu'an Environmental Energy	26.40	(31)	(34)	148	4,723	2.17	3.03	12.2	8.7	42	40	3.7	5.7	Grace Tang	OP	54.30
600583	Offshore Oil Engineering	22.44	(1)	(14)	84	8,886	-	-	0.0	0.0	0	0	0.0	0.0	Lawrence Lau	NR	-
601857	PetroChina (A/H)	15.03	4	(51)	655	60,120	0.74	0.80	20.4	18.8	(2)	9	2.3	2.5	Lawrence Lau	MP	16.13
601666	Pingdingshan Tian'an Coal	25.32	(31)	(45)	285	7,621	1.77	2.72	14.3	9.3	72	54	3.1	4.8	Grace Tang	OP	50.60
601088	Shenhua Energy	30.99	(16)	(53)	735	55,475	1.35	1.57	23.0	19.7	26	17	1.9	2.3	Lawrence Lau	MP	37.09
600028	Sinopec (A/H)	11.38	17	(51)	1,035	96,719	0.55	0.67	20.6	17.1	(13)	21	1.2	1.5	Lawrence Lau	MP	13.02
000993	Xishan Coal	38.60	(20)	(39)	345	21,988	1.53	2.73	25.2	14.1	76	78	1.7	2.6	Grace Tang	OP	48.96
600188	Zanzhou Coal (A/H)	19.12	(2)	(13)	403	6,883	1.29	1.70	14.8	11.2	135	32	1.8	2.4	Lawrence Lau	OP	27.31
900948	Yitai Coal (B)	39.98	(3)	(39)	6	13,274	2.60	3.20	15.4	12.5	24	23	1.0	1.3	Grace Tang	OP	46.87
Average			(8)	(39)	380	22,610	1.32	1.76	17.2	13.7	41	28	1.8	2.4			
Financials																	
600816	Anxin Investment & Trust	19.43	26	(38)	122	5,904	0.73	0.97	17.6	13.2	3,550	33	0.6	0.7	Zhang Jian	OP	29.04
601169	Bank of Beijing	12.82	(2)	(37)	331	15,966	0.89	1.02	14.4	12.6	41	15	2.7	3.2	Yuan Lin	OP	16.00
601988	Bank of China (A/H)	4.06	2	(39)	174	26,795	0.31	0.37	13.1	11.0	41	19	3.2	3.9	Yuan Lin	OP	4.01
601328	Bank of Communication (A/H)	8.16	13	(48)	464	125,534	0.70	0.75	11.7	10.9	63	7	2.9	3.2	Yuan Lin	MP	8.50
601009	Bank of Nanjing	11.39	3	(40)	102	7,110	0.77	0.88	14.8	12.9	24	14	2.7	3.1	Yuan Lin	OP	14.00
002142	Bank of Ningbo	10.29	(4)	(53)	87	6,328	0.63	0.80	16.3	12.9	47	27	2.0	2.6	Yuan Lin	MP	20.00
601998	China Citic Bank (A/H)	5.58	12	(45)	83	12,829	0.39	0.47	14.3	11.9	70	21	2.9	3.4	Yuan Lin	OP	6.50
601939	China Construction Bank (A/H)	5.99	5	(39)	413	53,192	0.46	0.48	13.0	12.5	53	4	3.5	3.5	Yuan Lin	MP	6.70
600036	China Merchants Bank (A/H)	24.48	16	(38)	970	176,389	1.75	1.92	14.0	12.8	68	10	1.6	1.8	Yuan Lin	MP	24.00
600030	CITIC Securities	23.52	6	(47)	3,121	131,309	1.10	1.37	21.4	17.2	(41)	25	0.9	1.3	Zhang Jian	OP	27.50
600837	Haitong Securities	24.13	5	(12)	580	2,978	1.21	1.31	19.9	18.4	(9)	8	0.8	1.2	Zhang Jian	MP	26.20
000562	Hong Yuan Securities	16.38	3	(58)	237	8,784	0.46	0.45	35.6	36.4	(67)	(2)	0.6	0.6	Zhang Jian	U	11.50
601398	ICBC (A/H)	5.15	7	(37)	561	76,721	0.41	0.45	12.6	11.4	71	10	4.3	4.7	Yuan Lin	OP	5.90
601166	Industrial Bank	25.91	5	(50)	716	101,049	2.55	2.81	10.2	9.2	46	10	1.8	2.0	Yuan Lin	OP	45.00
600016	Minsheng Bank	6.18	14	(46)	587	53,510	0.50	0.41	12.4	15.1	47	(18)	2.4	1.9	Yuan Lin	U	5.00
000686	Northeast Securities	23.02	12	(55)	160	3,477	0.89	0.92	25.9	25.0	(54)	3	0.9	0.9	Zhang Jian	MP	19.58
600000	Pudong Bank	23.88	19	(41)	859	35,148	2.13	2.45	11.2	9.7	117	15	2.7	3.1	Yuan Lin	MP	20.20
601318	Ping An Insurance (A/H)	44.80	(6)	(58)	1,556	51,662	1.20	1.53	37.3	29.3	(41)	28	0.6	0.8	Yuan Lin	MP	63.00
000001	Shenzhen Development	21.88	17	(43)	373	38,130	1.76	2.09	12.4	10.5	30	19	1.6	1.9	Yuan Lin	MP	32.00
Average			9	(43)	591	47,336	0.94	1.07	16.4	14.6	213	13	2.0	2.3			

China – A

RIC	Company	Price (010808)	1M chg.	YTD chg.	3M avg. daily T/O	Free float mkt. cap. [^]	EPS 08E	EPS 09E	P/E 08E	P/E 09E	EPS gr. 08E	EPS gr. 09E	Yield 08E	Yield 09E	Analyst	Rec	Target price (Y)
		(Y)	(%)	(%)	(Y m)	(Y m)	(Y)	(Y)	(x)	(x)	(%)	(%)	(%)	(%)			(Y)
Industrials																	
600585	Anhui Conch (A/H)	36.57	(4)	(47)	234	25,198	2.22	2.77	16.5	13.2	31	25	1.2	1.5	Grace Tang	MP	63.00
600761	Anhui Heli	13.57	6	(64)	64	2,422	1.12	1.47	12.1	9.2	24	31	2.5	3.2	Eric Hu	OP	43.90
600973	Baosheng Sci & Tech	15.67	15	(57)	31	1,344	1.57	2.09	10.0	7.5	54	33	3.0	5.4	-	NR	-
601390	China Railway (A/H)	5.78	11	(50)	503	27,022	0.21	0.31	27.0	18.9	44	43	0.9	1.3	Patrick Li	OP	8.14
601186	China Railway Cons. (A/H)	10.36	13	n.a.	649	25,437	0.38	0.55	27.6	19.0	(5)	45	0.9	1.3	Patrick Li	OP	13.18
600970	China Sinoma	61.25	8	2	36	4,805	2.70	3.66	22.7	16.7	79	36	1.2	2.2	Grace Tang	OP	81.00
600150	China State Shipbuilding	76.88	4	(69)	279	7,814	9.01	13.81	8.5	5.6	106	53	3.5	5.4	-	OP	345.25
600875	Dongfang Electric Mach. (A/H)	29.90	1	(66)	289	2,274	3.18	-	9.4	0.0	4	-	4.0	0.0	-	OP	50.00
002164	Donly Transmission	12.10	8	(32)	18	363	0.69	1.20	17.5	10.1	47	74	0.8	1.5	SHI Qi	OP	26.40
601002	Gem-Year Industrial	6.90	2	(33)	49	1,426	0.18	0.34	38.3	20.3	100	0	0.6	1.0	SHI Qi	MP	11.90
600685	Guangzhou Shipyard Int'l (A/H)	25.18	7	(69)	133	4,047	2.67	3.11	9.4	8.1	46	16	2.1	3.7	-	OP	57.05
000528	Guangxi Liugong Machinery	19.18	6	(54)	58	5,070	1.58	2.28	12.1	8.4	32	44	3.1	4.5	Eric Hu	OP	52.50
002175	Guanglu Measuring Instrut	11.23	22	(52)	8	163	1.36	2.02	8.3	5.6	60	0	2.7	4.3	Eric Hu	OP	36.00
600312	Henan Pingqiao Electric	10.90	22	(33)	51	1,692	0.90	1.20	12.1	9.1	43	33	2.8	3.7	-	NR	-
002204	Heavy Ind. Steel Casting	17.03	(3)	n.a.	37	911	0.57	1.08	29.9	15.8	16	89	0.5	0.9	SHI Qi	OP	21.60
600308	Huatai Paper	13.21	6	(54)	72	4,583	1.33	1.66	9.9	7.9	47	25	2.1	2.3	Ni Xiaoman	OP	40.00
002097	Hunan Sunward Intelligent	18.88	6	(67)	73	1,251	0.98	1.47	19.3	12.8	75	50	2.1	3.1	SHI Qi	OP	32.34
600072	Jiangnan Heavy Industry Co	12.96	10	(70)	58	2,818	0.28	0.30	46.3	43.2	33	7	0.5	0.5	-	OP	28.00
000666	Jingwei Textile Mach. (A/H)	5.27	18	(49)	37	1,198	0.41	0.53	12.8	9.9	27	29	2.3	3.0	-	OP	12.30
600495	Jinxi Axle	13.79	25	(45)	20	909	0.67	0.89	26.0	15.5	14	23	1.5				

China – A

RIC	Company	Price (010808)	1M chg.	YTD chg.	3M avg. daily T/O	Free float mkt. cap.^	EPS (¥)	EPS (¥)	P/E	P/E	EPS gr.	EPS gr.	Yield	Yield	Analyst	Rec	Target price (¥)
		(¥)	(%)	(%)	(¥ m)	(¥ m)	(¥)	(¥)	(x)	(x)	(%)	(%)	(%)	(%)			(¥)
Pharmaceuticals																	
600085	Beijing Tongrentang	17.70	13	(39)	57	3,457	0.72	0.88	24.6	20.1	22	22	1.7	2.1	-	MP	28.70
000423	Dong-E E-Jiao	19.05	(22)	(41)	139	6,988	0.60	0.65	31.8	29.3	50	8	1.9	2.6	-	OP	35.50
600332	Guangzhou Pharm. (A/H)	10.79	4	(37)	31	1,138	0.53	0.51	20.4	21.2	56	(4)	1.3	1.5	-	OP	19.60
600276	Jiangsu Hengrui Medicine	38.72	10	(19)	28	9,679	1.08	1.38	35.9	28.1	13	28	1.0	1.2	-	OP	61.50
600535	Tianjin Tasyi Pharm.	12.21	7	(45)	36	2,622	0.53	0.66	23.0	18.5	47	25	1.9	2.4	-	MP	21.20
600351	Yabao Pharmaceuticals	14.20	15	(17)	33	1,703	0.57	0.80	24.9	17.8	68	40	0.0	1.7	He Changming	OP	20.00
000538	Yunnan Baiyao	33.53	24	(3)	82	6,329	0.83	1.11	40.4	30.2	34	34	0.7	1.0	-	OP	41.50
Average			7	(29)	58	4,559	0.69	0.86	28.7	23.6	41	22	1.2	1.8			
Property																	
000043	CATIC Real Estate	9.91	10	(53)	12	1,106	0.94	1.22	10.5	8.1	38	30	3.7	4.9	Zhou Lu	MP	16.31
600675	China Enterprise	8.42	25	(53)	160	5,845	0.76	0.84	11.1	10.0	36	11	2.7	3.0	TIAN Shixin	OP	14.00
000024	China Merchants Prop (A/B)	15.88	14	(60)	142	4,790	1.82	2.79	8.7	5.7	33	53	2.3	4.0	TIAN Shixin	MP	45.50
000002	China Vanke (A/B)	8.65	2	(52)	1,222	50,880	0.65	0.90	13.3	9.6	81	38	1.3	1.7	TIAN Shixin	OP	19.50
600067	Clitcamp Dartong	8.75	26	(51)	29	3,072	1.16	1.70	7.5	5.1	170	47	0.8	1.1	Zhou Lu	MP	13.13
000402	Financial Street	8.70	22	(43)	172	8,874	0.80	1.21	10.9	7.2	18	51	3.7	5.5	Zhou Lu	OP	29.00
600383	Gemdale	8.55	2	(58)	297	10,186	0.94	1.18	9.1	7.2	62	26	0.5	0.6	TIAN Shixin	OP	11.71
600325	Huafa Industrial Share	12.99	25	(24)	92	8,035	0.87	1.45	14.9	9.0	53	67	1.3	2.2	TIAN Shixin	OP	26.10
600048	Poly Real Estate Group	16.13	26	(50)	355	17,007	1.18	1.97	13.7	8.2	93	67	2.5	4.3	TIAN Shixin	OP	19.77
000069	Overseas Chinese Town	10.70	10	(57)	153	12,362	0.46	0.74	23.3	14.5	59	61	1.7	2.8	TIAN Shixin	OP	19.40
000006	Shenzhen Zhenye Group	8.87	18	(32)	123	2,051	1.35	2.36	6.6	3.8	32	75	6.1	10.6	Zhou Lu	U	17.61
Average			16	(49)	251	11,292	0.99	1.49	11.8	8.0	61	48	2.4	3.7			
Technology																	
600183	Shengyi Sci-Tech	6.25	10	(61)	52	2,380	0.79	-	7.9	0.0	23	0	4.8	0.0	-	OP	10.05
000970	Zhong Ke San Huan High-Tech	7.24	11	(47)	49	1,617	0.37	0.41	19.6	17.7	6	11	1.5	1.7	-	U	12.95
000063	ZTE (A/H)	45.00	2	(1)	235	22,032	1.79	2.37	25.2	19.0	56	33	0.7	0.8	Allan Ng	OP	68.00
Average			8	(36)	112	8,676	0.98	1.39	17.5	12.2	28	14	2.3	0.8			
Telecoms																	
600050	China Unicom (A/R)	6.67	2	(45)	1,175	62,578	0.29	0.30	23.1	22.4	18	3	1.3	1.5	Allan Ng	MP	11.00
Average			2	(45)	1,175	62,578	0.29	0.30	23.1	22.4	18	3	1.3	1.5			
Transport																	
601111	Air China (A/H)	10.24	26	(63)	460	13,198	0.28	0.23	37.2	44.7	(16)	(17)	1.0	0.2	Du JianPing	MP	8.64
600012	Anhui Expressway (A/H)	5.24	7	(43)	21	2,434	0.44	0.45	12.0	11.7	40	3	3.6	3.6	Patrick Li	MP	7.42
600026	China Shipping (A/H)	19.99	3	(46)	154	9,308	1.96	2.34	10.2	8.5	42	19	3.7	4.4	Jimmy Lam	OP	43.00
000039	CIMC (A/B)	10.77	4	(58)	113	13,188	1.25	1.38	8.6	7.8	5	10	4.9	5.4	Jimmy Lam	OP	20.05
601006	Daqin Railway	13.05	0	(49)	246	33,954	0.58	0.68	22.7	19.2	22	18	2.8	3.3	Patrick Li	OP	20.37
600033	Fujian Expressway	6.61	13	(30)	76	1,891	0.71	-	0.0	0.0	26	0	0.0	0.0	Patrick Li	OP	8.29
601333	GS Railway (A/H)	4.12	0	(56)	114	7,501	0.21	0.26	19.6	15.8	5	24	2.2	2.4	Patrick Li	MP	5.40
600004	Guangzhou Baiyun Airport	11.07	10	(47)	29	5,500	0.50	0.60	22.2	18.6	38	19	2.3	2.7	Du JianPing	OP	19.01
600035	Hubei Chutian Expressway	5.08	4	(40)	26	1,969	0.35	0.41	14.4	12.4	21	16	3.5	4.0	Huiming Liu	OP	5.70
600377	Jiangsu Expressway (A/H)	6.13	1	(42)	22	2,162	0.43	0.52	14.3	11.9	35	21	5.5	6.7	Patrick Li	OP	8.63
600269	Jiangxi Ganyue Expressway	10.35	8	(44)	56	7,012	0.90	1.03	11.6	10.0	(5)	15	2.6	3.0	Patrick Li	OP	14.33
600350	Shandong Expressway	5.49	6	(45)	33	3,657	0.40	0.46	13.7	12.0	15	14	2.9	3.3	Patrick Li	OP	8.03
600009	Shanghai Airport	17.78	20	(53)	173	17,731	0.82	0.88	21.7	20.2	(7)	7	1.4	1.5	Du JianPing	OP	29.56
600018	Shanghai Port	4.86	4	(47)	72	2,455	0.86	-	5.7	0.0	19	-	9.7	0.0	-	U	16.50
000089	Shenzhen Airport	6.59	5	(48)	40	4,303	0.36	0.38	18.3	17.6	9	4	3.0	3.2	Du JianPing	MP	9.58
600548	Shenzhen Expressway (A/H)	6.02	18	(52)	36	1,313	0.35	0.52	17.3	11.6	13	49	3.0	4.7	Patrick Li	MP	9.05
600125	China Railway Tielong	5.87	19	(46)	51	3,425	0.40	0.38	14.7	15.4	18	(5)	0.0	0.0	Patrick Li	MP	8.91
000900	Xiandai Investment	16.68	8	(51)	81	4,693	1.59	1.98	10.5	8.4	7	25	5.2	6.4	Patrick Li	OP	30.19
600320	Zhenhua Port Machinery	12.78	24	(50)	154	14,345	0.82	1.05	15.7	12.1	31	29	1.7	2.3	Jimmy Lam	OP	19.00
Average			9	(47)	83	7,602	0.72	0.83	14.1	11.9	17	14	3.2	3.2			
Utilities																	
000690	Baohua New Energy	9.50	(0)	(41)	217	7,432	0.50	0.56	19.0	17.0	72	12	0.4	0.4	YU Nian	OP★	13.48
600008	Beijing Capital	8.25	6	(61)	123	6,353	0.34	-	24.3	0.0	13	0	2.4	0.0	-	MP	4.74
600900	China Yangtze Power Corp	-	-	-	76	-	0.62	0.65	-	-	7	5	-	-	YU Nian	OP	15.50
601991	Datang Intl Power (A/H)	9.26	(8)	(55)	82	5,611	0.17	0.33	54.2	28.1	(43)	92	1.3	1.3	-	MP	13.80
600795	GD Power Dev	6.21	1	(29)	362	6,485	0.63	0.72	9.9	8.6	24	14	2.4	2.9	-	OP	15.30
000539	Guangdong Electric	6.42	5	(55)	50	2,561	0.37	0.40	17.4	16.1	12	8	3.0	3.0	-	U	11.80
600027	Huadian Power (A/H)	4.58	(1)	(52)	74	5,226	0.23	0.28	19.9	16.4	15	22	1.3	1.3	-	U	5.30
600011	Huaneng Power (A/H)	6.93	4	(53)	93	3,342	0.27	0.40	25.7	17.3	(47)	48	4.3	4.3	-	OP	10.00
600323	Nanhai Development	9.22	17	(24)	23	1,233	-	-	0.0	0.0	0	0	0.0	0.0	-	OP	10.07
600886	SDIC Huajing Power	7.51	16	(55)	92	5,116	0.74	0.80	10.1	9.4	17	8	2.8	3.3	Yu Nian	OP	18.50
600649	Shanghai Water	10.71	11	(47)	209	6,053	0.23	-	46.6	0.0	(0)	0	0.8	0.0	-	U	4.11
600642	Shenergy	9.00	1	(49)	137	7,263	0.66	-	13.6	0.0	6	0	3.7	0.0	-	OP	6.74
000027	Shenzhen Energy	8.52	5	(65)	75	4,096	0.72	0.75	11.8	11.4	4	4	4.1	4.1	-	U	14.40
600874	Tianjin Capital (A/H)	8.51	18	(14)	206	1,358	0.21	-	40.5	0.0	5	0	0.9	0.0	-	U	2.27
000767	Zhangze Electric	5.06	0	(59)	37	1,201	-	-	0.0	0.0	0	0	0.0	0.0	-	U	4.03
Average			5	(47)	124	4,524	0.44	0.54	20.9	8.9	6	14	2.0	1.5			

Germany

RIC	Company	Price (010808)	1M chg.	YTD chg.	3M avg. daily T/O	Free float mkt. cap.^	EPS (€)	EPS (€)	P/E	P/E	EPS gr.	EPS gr.	Yield	Yield	Analyst	Rec	Target price (€)
		(€)	(%)	(%)	(€ m)	(€ m)	(€)	(€)	(x)	(x)	(%)	(%)	(%)	(%)			(€)
Agriculture																	
5AB	Asian Bamboo	9.14	(5)	(38)	0	50	1.48	1.93	6.2	4.7	179	30	1.1	2.2	Charles Law	OP	17.08
Average			(5)	(38)	0	50	1.48	1.93	6.2	4.7	179	30	1.1	2.2			
Transport																	
ZEF	Zhong De Waste Tech.	27.50	9	(17)	1	114	2.11	2.56	13.0	10.7	27	21	0.0	0.0	Frank Lai	OP	36.10
Average			9	(17)	1	114	2.11	2.56	13.0								

Calendar of Events
Economic data (China)

	Description	Date
CPI	Jul 08	12/08
Retail Sales	Jul 08	13/08
VAIO	Jul 08	14/08
FAI	Jul 08	15/08

Economic data (Hong Kong)

Unemployment	Jul 08	18/08
CPI	Jul 08	21/08
GDP	2Q 08	15/08
Retail Sales	Jul 08	01/09

Results announcements (China)

Shenzhen Zhenye Group (000006.SZ)	1H08	8/1/2008
Nari Technology Development (600406.SS)	1H08	8/2/2008
Wangfujing Dept ST (600859.SS)	1H08	8/2/2008
Tianjin Tasty Pharmaceuticals (600535.SS)	1H08	8/5/2008
Yunnan Tin (000960.SZ)	1H08	8/5/2008
SDIC Huajing Power (600886.SS)	1H08	8/5/2008
Baoliuhua New Energy (000690.SZ)	1H08	8/5/2008
Lanhua Sci-Tech (600123.SS)	1H08	8/6/2008
Hua Xia Bank (600015.SS)	1H08	8/7/2008
China Railway Tielong (600125.SS)	1H08	8/8/2008
Sieyuan Electric (002028.SZ)	1H08	8/9/2008
CITIC Securities (600030.SS)	1H08	8/9/2008
Shanghai Siyuan Electric (002028.SZ)	1H08	8/9/2008
Angang New Steel (A/H) (000898.SZ)	1H08	8/11/2008
Fuyao Group Glass Industries (600660.SS)	1H08	8/11/2008
Wuhan Steel (600005.SS)	1H08	8/11/2008
Huaneng Power(A/H) (600011.SS)	1H08	8/12/2008
China Shipping (A/H) (600026.SS)	1H08	8/12/2008
Jinan Diesel Engine (000617.SZ)	1H08	8/12/2008
Shanghai Jahwa United (600315.SS)	1H08	8/12/2008
Offshore Oil Engineering (600583.SS)	1H08	8/13/2008
Jianghuai Auto (600418.SS)	1H08	8/13/2008
Guangdong Electric (000539.SZ)	1H08	8/13/2008
Zoomlion Heavy Industry (000157.SZ)	1H08	8/13/2008
ZTE (A/H) (000063.SZ)	1H08	8/14/2008
Bank of Communication (A/H) (601328.SS)	1H08	8/14/2008
Maanshan Iron (A/H) (600808.SS)	1H08	8/14/2008
Luzhou Laojiao (000568.SZ)	1H08	8/14/2008
Hubei Yihua (000422.SZ)	1H08	8/14/2008
Sichuan Lutianhua (000912.SZ)	1H08	8/14/2008
Shenhua Energy (601088.SS)	1H08	8/15/2008
Guangzhou Shipyard International (A/H) (600685.SS)	1H08	8/15/2008
Guangzhou Pharmaceutical (A/H) (600332.SS)	1H08	8/15/2008
Jiangsu Expressway (A/H) (600377.SS)	1H08	8/15/2008
Anhui Conch (A/H) (600585.SS)	1H08	8/15/2008
Haitong Securities (600837.SS)	1H08	8/15/2008
Xishan Coal (000983.SZ)	1H08	8/15/2008
Yanzhou Coal (A/H) (600188.SS)	1H08	8/15/2008
China Merchants Bank (A/H) (600036.SS)	1H08	8/15/2008
Jiangnan Heavy Industry Co (600072.SS)	1H08	8/15/2008

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Tian Di Sci. & Tech. (600582.SS)	1H08	8/15/2008
Xiamen King Long Motor (600686.SS)	1H08	8/15/2008
Tianjin Capital (A/H) (600874.SS)	1H08	8/15/2008
Hubei Shuanghuan Sci & Tech (000707.SZ)	1H08	8/15/2008
Tianshan Cement (000877.SZ)	1H08	8/16/2008
Beijing Gehua CATV (600037.SS)	1H08	8/16/2008
Guoyang New Enegy (600348.SS)	1H08	8/16/2008
Nanshan Industrial (600219.SS)	1H08	8/16/2008
Nanjing Steel (600282.SS)	1H08	8/16/2008
Ping An Insurance (A/H) (601318.SS)	1H08	8/18/2008
Wanfang Aluminium (000612.SZ)	1H08	8/19/2008
Hunan Sunward Intelligent (002097.SZ)	1H08	8/19/2008
Shengyang Machine Tools (000410.SZ)	1H08	8/19/2008
Pingdingshan Tian'an Coal (601666.SS)	1H08	8/19/2008
Jiangxi Ganyue Expressway (600269.SS)	1H08	8/19/2008
Shanghai First Provisions (600616.SS)	1H08	8/19/2008
Shandong Hailong (000677.SZ)	1H08	8/19/2008
Beijing Tongrentang (600085.SS)	1H08	8/19/2008
Kunming Machine (A/H) (600806.SS)	1H08	8/20/2008
CHALCO (A/H) (601600.SS)	1H08	8/20/2008
Gem-Year Industrial (601002.SS)	1H08	8/20/2008
Yibin Wuliangye (000858.SZ)	1H08	8/20/2008
Jingwei Textile Machinery (A/H) (000666.SZ)	1H08	8/20/2008
Yuntianhua (600096.SS)	1H08	8/20/2008
Ningbo Huaxiang (002048.SZ)	1H08	8/20/2008
China Enterprise (600675.SS)	1H08	8/20/2008
Industrial Bank (601166.SS)	1H08	8/20/2008
Zhangzidao Fishery (002069.SZ)	1H08	8/20/2008
Financial Street (000402.SZ)	1H08	8/20/2008
PetroChina (A/H) (601857.SS)	1H08	8/21/2008
Huadian Power (A/H) (600027.SS)	1H08	8/21/2008
Bank of China (A/H) (601988.SS)	1H08	8/21/2008
CATIC Real Estate (000043.SZ)	1H08	8/21/2008
Beijing Sanyuan (600429.SS)	1H08	8/21/2008
Nanghai Development (600323.SS)	1H08	8/21/2008
Tangshan Iron & Steel (000709.SZ)	1H08	8/21/2008
Shenergy (600642.SS)	1H08	8/21/2008
Bank of Nanjing (601009.SS)	1H08	8/21/2008
Jinduicheng Molybdenum (601958.SS)	1H08	8/21/2008
Shenzhen Expressway(A/H) (600548.SS)	1H08	8/22/2008
ICBC (A/H) (601398.SS)	1H08	8/22/2008
China Citic Bank (A/H) (601998.SS)	1H08	8/22/2008
Anhui Expressway (A/H) (600012.SS)	1H08	8/22/2008
Shanghai Petrochem (A/H) (600688.SS)	1H08	8/22/2008
Chongqing Iron & Steel (A/H) (601005.SS)	1H08	8/22/2008
China State Shipbuilding (600150.SS)	1H08	8/22/2008
Qingsong Building Materials and Chemicals (600425.SS)	1H08	8/22/2008
China Construction Bank (A/H) (601939.SS)	1H08	8/22/2008
FAW Car (000800.SZ)	1H08	8/22/2008
Zhong Ke San Huan High-Tech (000970.SZ)	1H08	8/22/2008
CIMC (A/B) (000039.SZ)	1H08	8/22/2008
Shanxi Qinchuan Machinery (000837.SZ)	1H08	8/22/2008
Shenzhen Airport (000089.SZ)	1H08	8/22/2008
Oriental Pearl (600832.SS)	1H08	8/22/2008
Laobaigan Liquor (600559.SS)	1H08	8/22/2008
Shenzhen Development (000001.SZ)	1H08	8/23/2008

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Pudong Bank (600000.SS)	1H08	8/23/2008
Shandong Expressway (600350.SS)	1H08	8/23/2008
Taiyuan Heavy Industry (600169.SS)	1H08	8/23/2008
Tianma Bearing (002122.SZ)	1H08	8/23/2008
Datang Intl Power (A/H) (601991.SS)	1H08	8/25/2008
Sinopec (A/H) (600028.SS)	1H08	8/25/2008
Tangshan Jidong Cement (000401.SZ)	1H08	8/25/2008
Tsingtao Brewery (A/H) (600600.SS)	1H08	8/25/2008
Qingdao Haier (600690.SS)	1H08	8/25/2008
Shandong Gold (600547.SS)	1H08	8/25/2008
Huatai Paper (600308.SS)	1H08	8/25/2008
Xinhua Media (600825.SS)	1H08	8/25/2008
Huafu Industrial Share (600325.SS)	1H08	8/25/2008
China Yangtze Power Corp (600900.SS)	1H08	8/25/2008
TCL Corp (000100.SZ)	1H08	8/25/2008
Beiqi Foton Auto (600166.SS)	1H08	8/25/2008
Guilin Tourism (000978.SZ)	1H08	8/25/2008
Shanghai Water (600649.SS)	1H08	8/25/2008
Jiangxi Copper (A/H) (600362.SS)	1H08	8/26/2008
China Oilfield Service (A/H) (601808.SS)	1H08	8/26/2008
Guilin Guanglu Measuring Instrument (002175.SZ)	1H08	8/26/2008
Maanshan Fangyuan Slewing Ring (002147.SZ)	1H08	8/26/2008
Zhengzhou Yutong Bus (600066.SS)	1H08	8/26/2008
SDIC Zhonglu Fruit Juice (600962.SS)	1H08	8/26/2008
China Unicom (A/R) (600050.SS)	1H08	8/26/2008
Shanghai Port (600018.SS)	1H08	8/26/2008
China Vanke (A/B) (000002.SZ)	1H08	8/26/2008
Minsheng Bank (600016.SS)	1H08	8/26/2008
Shenzhen Overseas Chinese Town (000069.SZ)	1H08	8/26/2008
Shenzhen Energy (000027.SZ)	1H08	8/26/2008
Shuguang Automotive (600303.SS)	1H08	8/26/2008
Hualu Hengsheng (600426.SS)	1H08	8/26/2008
Anhui Heli (600761.SS)	1H08	8/26/2008
Sany Heavy Industry (600031.SS)	1H08	8/26/2008
Hebei Chengde Lolo (600848.SZ)	1H08	8/26/2008
Dong-E E-Jiao (000423.SZ)	1H08	8/27/2008
Shanghai Zhixin Electric (600517.SS)	1H08	8/27/2008
Tongling Nonferrous Metal (000630.SZ)	1H08	8/27/2008
CITIC Guoan (000839.SZ)	1H08	8/27/2008
Yanjing Brewery (000729.SZ)	1H08	8/27/2008
Xiandai Investment (000900.SZ)	1H08	8/27/2008
Xugong Science & Technology (000425.SZ)	1H08	8/27/2008
BOE Technology (000725.SZ)	1H08	8/27/2008
Lu'an Environmental Energy (601699.SS)	1H08	8/27/2008
Hisense (600060.SS)	1H08	8/27/2008
Bright Dairy (600597.SS)	1H08	8/27/2008
Shantui Construction Machinery (000680.SZ)	1H08	8/27/2008
Bank of Beijing (601169.SS)	1H08	8/27/2008
Yizheng Chemical (A/H) (600871.SS)	1H08	8/28/2008
Guanlu (000831.SZ)	1H08	8/28/2008
Kweichow Moutai (600519.SS)	1H08	8/28/2008
GS Railway(A/H) (601333.SS)	1H08	8/28/2008
Midea Electric Appliances (000527.SZ)	1H08	8/28/2008
Guangxi Liugong Machinery (000528.SZ)	1H08	8/28/2008
Zhangze Electric (000767.SZ)	1H08	8/28/2008
Sichuan Swellfun (600779.SS)	1H08	8/28/2008

GD Power Dev (600795.SS)	1H08	8/28/2008
Shanghai Airport (600009.SS)	1H08	8/28/2008
Daqin Railway (601006.SS)	1H08	8/28/2008
Guangzhou Baiyun Airport (600004.SS)	1H08	8/28/2008
Weichai Power (A/H) (000338.SZ)	1H08	8/28/2008
Dongfang Electric Machinery (A/H) (600875.SS)	1H08	8/29/2008
COFCO Tunhe (600737.SS)	1H08	8/29/2008
Yunnan Baiyao (000538.SZ)	1H08	8/29/2008
Beijing Capital Tourism (600258.SS)	1H08	8/29/2008
Dongfeng Automobile (600006.SS)	1H08	8/29/2008
Panzhuhua Steel (000629.SZ)	1H08	8/29/2008
Sichuan Changhong (600839.SS)	1H08	8/29/2008
Baosteel (600019.SS)	1H08	8/29/2008
China Sinoma (600970.SS)	1H08	8/29/2008
Citicamp Dartong (600067.SS)	1H08	8/29/2008
Chengdu People's Dept Store (600828.SS)	1H08	8/29/2008
Yunnan Aluminium (000807.SZ)	1H08	8/30/2008
GREE (000651.SZ)	1H08	8/30/2008
FAW Xiali (000927.SZ)	1H08	8/30/2008
Xiamen Overseas Electronic (600870.SS)	1H08	8/30/2008
Blue Star New Materials (600299.SS)	1H08	8/30/2008
Yili Industrial (600887.SS)	1H08	8/30/2008
Shengyi Sci-Tech (600183.SS)	1H08	8/30/2008

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Wumart Stores (H) (8277.HK)	2Q08	8/4/2008
Zhejiang Expressway (H) (576.HK)	1H08	8/4/2008
Beijing Capital Land (H) (2868.HK)	1H08	8/4/2008
Hang Seng Bank (11.HK)	1H08	8/4/2008
HSBC (5.HK)	1H08	8/4/2008
Pacific Basin (2343.HK)	1H08	8/4/2008
Phoenix TV (P) (8002.HK)	2Q08	8/5/2008
Bank of East Asia (23.HK)	1H08	8/5/2008
Standard Chartered (2888.HK)	1H08	8/5/2008
MTR Corporation (66.HK)	1H08	8/5/2008
HK Electric (6.HK)	1H08	8/5/2008
Hysan (14.HK)	1H08	8/5/2008
Yantai North Andre Juice (H) (8259.HK)	2Q08	8/6/2008
Lenovo Group (R) (992.HK)	1Q08	8/7/2008
TCL Communication (R) (2618.HK)	1H08	8/7/2008
i-Cable (1097.HK)	3Q08	8/8/2008
TCL Multimedia (R) (1070.HK)	1H08	8/11/2008
Angang New Steel (H/A) (347.HK)	1H08	8/11/2008
Lifestyle (1212.HK)	1H08	8/11/2008
Gome Electrical (493.HK)	1H08	8/12/2008
Tong Ren Tang Technologies (H) (8069.HK)	2Q08	8/12/2008
China Shipping (H/A) (1138.HK)	1H08	8/12/2008
Huaneng Power (H/A) (902.HK)	1H08	8/12/2008
Lianhua Supermarket (H) (980.HK)	1H08	8/12/2008
Country Garden (P) (2007.HK)	1H08	8/12/2008
Champion REIT (2778.HK)	1H08	8/12/2008
CLP (2.HK)	1H08	8/12/2008
Fubon Bank (Hong Kong) (636.HK)	1H08	8/12/2008
HKEx (388.HK)	1H08	8/13/2008
Chong Hing Bank (1111.HK)	1H08	8/13/2008

Hang Lung Group (10.HK)	FY08	8/13/2008
Hang Lung Properties (101.HK)	FY08	8/13/2008
Bank of Communications (H/A) (3328.HK)	1H08	8/14/2008
ZTE (H/A) (763.HK)	1H08	8/14/2008
China Mobile (R) (941.HK)	1H08	8/14/2008
Maanshan Iron (H/A) (323.HK)	1H08	8/14/2008
ICBC (Asia) (R) (349.HK)	1H08	8/14/2008
Wing Hang Bank (302.HK)	1H08	8/14/2008
ASMC (H) (3355.HK)	1H08	8/15/2008
China Merchant Bank (H/A) (3968.HK)	1H08	8/15/2008
Shenhua Energy (H/A) (1088.HK)	1H08	8/15/2008
Guangzhou Shipyard International (H/A) (317.HK)	1H08	8/15/2008
Anhui Conch (H/A) (914.HK)	1H08	8/15/2008
Guangzhou Pharmaceutical (H/A) (874.HK)	1H08	8/15/2008
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Tianjin Capital (H/A) (1065.HK)	1H08	8/15/2008
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Li & Fung (494.HK)	1H08	8/15/2008
Wing Lung Bank (96.HK)	1H08	8/15/2008
Playmates (635.HK)	1H08	8/15/2008
Prosperity REIT (808.HK)	1H08	8/15/2008
Tingyi (P) (322.HK)	1H08	8/18/2008
Ping An (H/A) (2318.HK)	1H08	8/18/2008
China Resources Power (R) (836.HK)	1H08	8/18/2008
China Overseas (R) (688.HK)	1H08	8/19/2008
Hutchison Telecom (2332.HK)	1H08	8/19/2008
Kunming Machine (H/A) (300.HK)	1H08	8/20/2008
CHALCO (H/A) (2600.HK)	1H08	8/20/2008
Jingwei Textile (H/A) (350.HK)	1H08	8/20/2008
EVA Precision Industrial (838.HK)	1H08	8/20/2008
Varitronix (710.HK)	1H08	8/20/2008
China Southern Airlines (H/A) (1055.HK)	1H08	8/21/2008
PICC (H) (2328.HK)	1H08	8/21/2008
PetroChina (H/A) (857.HK)	1H08	8/21/2008
Bank of China (H/A) (3988.HK)	1H08	8/21/2008
China Netcom (R) (906.HK)	1H08	8/21/2008
Huadian Power (H/A) (1071.HK)	1H08	8/21/2008
China Unicom (R/A) (762.HK)	1H08	8/21/2008
COSCO Pacific (R) (1199.HK)	1H08	8/21/2008
Techtronic (669.HK)	1H08	8/21/2008
GZI REIT (405.HK)	1H08	8/21/2008
Giordano (709.HK)	1H08	8/21/2008
BOC HK (R) (2388.HK)	1H08	8/21/2008
Cheung Kong (1.HK)	1H08	8/21/2008
ICBC (H/A) (1398.HK)	1H08	8/22/2008
Shenzhen Expressway (H/A) (548.HK)	1H08	8/22/2008
China Citic Bank (H/A) (998.HK)	1H08	8/22/2008
China Everbright (R) (165.HK)	1H08	8/22/2008
Anhui Expressway (H/A) (995.HK)	1H08	8/22/2008
Beijing Capital Airport (H) (694.HK)	1H08	8/22/2008
Shanghai Petrochem (H/A) (338.HK)	1H08	8/22/2008
China Haisheng Juice (P) (359.HK)	1H08	8/22/2008
Jin Jiang Hotel (H) (2006.HK)	1H08	8/22/2008
Qingling Motors (H) (1122.HK)	1H08	8/22/2008

Chongqing Iron & Steel (H/A) (1053.HK)	1H08	8/22/2008
China Construction Bank (H/A) (939.HK)	1H08	8/22/2008
China Molybdenum (H) (3993.HK)	1H08	8/22/2008
CIFH (R) (183.HK)	1H08	8/22/2008
Sinopec (H/A) (386.HK)	1H08	8/25/2008
China Life (H/A) (2628.HK)	1H08	8/25/2008
Datang Int'l (H/A) (991.HK)	1H08	8/25/2008
Tsingtao Brewery (H/A) (168.HK)	1H08	8/25/2008
Hunan Non-ferrous Metals (H) (2626.HK)	1H08	8/26/2008
Jiangxi Copper (H/A) (358.HK)	1H08	8/26/2008
China Oilfield Services (H/A) (2883.HK)	1H08	8/26/2008
China Telecom (H) (728.HK)	1H08	8/26/2008
Kingboard (148.HK)	1H08	8/26/2008
SmarTone (315.HK)	FY08	8/26/2008
CSCCL (H) (2866.HK)	1H08	8/27/2008
China Green (904.HK)	FY08	8/27/2008
Shanghai Forte (H) (2337.HK)	1H08	8/27/2008
Sinofert HK Hldg (R) (297.HK)	1H08	8/27/2008
AviChina (H) (2357.HK)	1H08	8/27/2008
China National Building Material (H) (3323.HK)	1H08	8/27/2008
Xinhua Winshare (H) (811.HK)	1H08	8/27/2008
CNOOC (R) (883.HK)	1H08	8/27/2008
China Eastern Airlines (H/A) (670.HK)	1H08	8/27/2008
Dongfeng Motor Group (H) (489.HK)	1H08	8/27/2008
Belle International (1880.HK)	1H08	8/27/2008
Ports Design (589.HK)	1H08	8/27/2008
Esprit (330.HK)	FY08	8/27/2008
Dah Sing Banking (2356.HK)	1H08	8/27/2008
Dah Sing Financial (440.HK)	1H08	8/27/2008
TVB (511.HK)	1H08	8/27/2008
PCCW (8.HK)	1H08	8/27/2008
Neo-China Group (P) (563.HK)	FY08	8/28/2008
Li Ning (P) (2331.HK)	1H08	8/28/2008
CSR Times Electric (H) (3898.HK)	1H08	8/28/2008
GS Railway (H/A) (525.HK)	1H08	8/28/2008
Weichai Power (H/A) (2338.HK)	1H08	8/28/2008
Yizheng Chemical (H/A) (1033.HK)	1H08	8/28/2008
Ming An (Holdings) (1389.HK)	1H08	8/28/2008
Singamas (P) (716.HK)	1H08	8/29/2008
Jilin Qifeng (H) (549.HK)	1H08	8/29/2008
China Insurance (R) (966.HK)	1H08	8/29/2008
BYD (H) (1211.HK)	1H08	8/29/2008
Weiqiao Textile (H) (2698.HK)	1H08	8/29/2008
Dongfang Electrical Machinery (H/A) (1072.HK)	1H08	8/29/2008
Meilan Airport (H) (357.HK)	1H08	8/29/2008
Xiwang Sugar (P) (2088.HK)	1H08	8/29/2008
Stella (1836.HK)	1H08	8/29/2008

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14-May	Huaqiao In The Middle Kingdom - May 08	Monthly	Anthony LOK CHENG Manjiang	(852) 2905 2108 (8610) 9922 9128	anthony.lok@bocigroup.com mj.cheng@bocigroup.com
8-May	Ladies' Consumption	Consumer Products	Sarah XING Frank HE Ashley CHEUNG Charles LAW	(852) 2905 2122 (852) 2905 2112 (852) 2905 2102 (852) 2905 2106	sarah.xing@bocigroup.com frank.he@bocigroup.com ashley.cheung@bocigroup.com charles.law@bocigroup.com
5-May	China Cement	Industrials - Const & Infra	Grace TANG Lawrence LAU	(8610) 9922 9077 (852) 2905 2130	qian.tang@bocigroup.com lawrence.lau@bocigroup.com
22-Apr	China Railway Construction Corporation	Industrials - Const & Infra	Patrick LI LIU Huiming	(8610) 6622 9073 (8610) 6622 9084	pan.li@bocigroup.com huiming.liu@bocigroup.com
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13-Mar	Huaqiao In The Middle Kingdom - March 08	Monthly	Anthony LOK CHENG Manjiang	(852) 2905 2108 (8610) 9922 9128	anthony.lok@bocigroup.com mj.cheng@bocigroup.com
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