IPO Companies Profile

Hong Kong/ China & Singapore

Small/ Mid Cap Research

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Revealing the beauty

Buoyed by China's rapid growth, about HK$266.9b was raised in Hong Kong in 2007 through 84 initial public offerings (IPO), with more than half (59) taking place in the second half of the year. Their performance was mixed, reflecting the volatility in the local market during the period. On the first day of trading, 63 (75.0%) IPOs ended above their offer price, 4 (4.8%) at their IPO price and the remaining 17 (20.2%) below their IPO price. The listings varied in size, spread across a broad range of sectors, from marquee names such as Alibaba.com (1688 HK) to little known manufacturer of high speed steel Tiangong (826 HK).

After reaching a high of 31,638 on 30 Oct 2007, the HSI retreated to the 27,800 level by year-end, affecting many of the newly listed stocks. On 7 Jan 2008, only 27 of the 59 counters listed in 2H07 were trading above their offer price, while 32 were below their respective offering benchmarks. During the listing frenzy, investors may have overlooked some new entrants with unique business models in high growth industries. We believe this is an opportune time to pick up some of these listings, which are now trading near or below their offering price.

We have identified a number of promising counters listed in 2H07, which offer:

- **Exposure to high-growth sectors** - Sinotruk (3808 HK), which looks set to benefit from China's surging demand for heavy trucks, and Pacific Online (543 HK), a pure play that taps the runaway growth of China's Internet advertising sector.
- **Exposure to focused industries, with under-appreciated products or business models** - Qunxing Paper (3868 HK), a niche player in specialty paper products, Sunmart (SUNM SP), a leading spray product manufacturer, and GCL-Poly Energy (3800 HK), an environmental friendly power generator.
- **Benefits of rising food price and retail consumption** - CMZ (CMZ SP) and Uni-President China (220 HK).

SBI E2-Capital "Conviction List"

Company	Ticker	Sector	Market Cap (US$m)	IPO price	Share price*
Hong Kong					
Delta Networks	722 HK	Telecoms	406.6	HK$4.50	HK$2.69
GCL-Poly Energy	3800 HK	Utilities	423.9	HK$4.10	HK$3.42
Pacific Online	543 HK	Internet	358.7	HK$3.30	HK$2.84
Qunxing Paper	3868 HK	Industrials	550.5	HK$5.35	HK$3.94
Sinotruk	3808 HK	Transportation	3,389.5	HK$12.88	HK$11.00
Uni-President China	220 HK	F&B/Retail	2,930.0	HK$4.22	HK$6.71
Singapore					
China Oilfield Tech	COT SP	Energy logistics	410.9	S$0.60	S$0.84
CMZ	CMZ SP	Industrials	50.6	S$0.23	S$0.24
Sunmart	SUNM SP	Consumers	46.0	S$0.25	S$0.17

** All prices are as of market close of 7 Jan, 2008*

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Revealing the beauty

Mix debuts IPOs in 2H07

Buoyed by China's phenomenal economic growth, about HK$266.9b was raised in Hong Kong in 2007 through 84 initial public offerings (IPO), with more than half (59) taking place in 2H of the year. Their debut performance was mixed, reflecting the volatility of the local market. Strong starters on their first trading day included Alibaba.com (up 192.6%), Xinjiang Xinxin Mining Industry (up 119.1%) and China High Speed Transmission Equipment Group (up 97.7%). Internet portal operator Pacific Online and motorcycle producer Vietnam Manufacturing and Export Processing were the worst first day performers, slumping 19.4% and 16.8% respectively, followed by Sinotruk, down 10.9% on its debut.

HSI and STI pull back affects the performance of many IPOs

After reaching a high of 31,638 on 30 Oct 2007, the HSI retreated to around 27,800 by year-end. This had a negative effect on many newly listed stocks. Based on the closing price on 7 Jan 2008, only 27 of the 59 IPOs that took place in 2H07 were trading above their offer price, 32 were trading below their benchmarks. The Singapore market went through a similar ride. The STI hit a high of 3,876 on 11 Oct 2007 and retreated to 3,482 on the last day of trading in 2007. On 7 Jan 2008, out of 45 counters listed in 2H07, only 22 were trading above their offer price and 23 were trading below.

Upward momentum intact, but significant volatility still expected

With the US economy likely to remain anemic this year, China, with its sustainable economic growth, appreciating RMB and negative interest rate environment, will once again be the focus of the global investment community. We expect the Hong Kong and Singapore markets to be major beneficiaries of China rapid growth and maintain their upward momentum, due to: 1) potential economic slowdown in the US; 2) austerity measures in China and 3) volatility as a result of shaky Sino/US/Taiwan relations. We have detailed our views on these issues in our 2008 Strategy "Climbing into the headwind" (Dec 2007).

Investment themes

During the listing frenzy, investors may have overlooked some newly listed counters with unique business models in high growth industries. We have identified a number of promising counters listed in 2H07, which are under appreciated and undervalued but offer:

- Exposure in high growth sectors;
- Exposure to focused industries, with under appreciated products or business models; and
- Benefits of rising food price and retail consumption.

High growth potential sectors

Sinotruk (3808 HK), the country's largest heavy truck manufacturer, will be the prime beneficiary of China's drive to improve its infrastructure, logistics and transportation networks in rural areas.

A market leader in the vertically integrated portals category and China's only pure Internet advertising company listed on the HKEx, **Pacific Online (543 HK)** is well positioned to tap the runaway growth in China's Internet advertising sector. Leveraging the increasing demand for bandwidth from multimedia offerings and Web 2.0 worldwide, **Delta Networks (722 HK)**, a leading OEMer of Ethernet switches with first tier customers such as Nortel and NetGear, looks sets to benefit from the solid growth of the Ethernet equipment market.

Strong consumption sector

We remain bullish on China's consumption sector. According to the National Bureau of Statistics, the country's 3Q07 GDP reached RMB16.6 trillion, up 11.5% YoY. The strong growth will benefit several industries.

Players in focused industries

One of our favourites is **Qunxing Paper (3868 HK),** a leading niche player in specialty paper products and one of China's few paper manufacturers capable of producing high-class decorative base paper products. **Summart (SUNM SP),** a spray products manufacturer for fast moving consumer goods (FMCG) companies in the cosmetics and healthcare industry, and is poised to benefit from China's growing middle class.

Retail/F&B

We believe retail/F&B will directly benefit from the growing consumption sector. Our top picks are **Uni-President China (220 HK)**, a maker of FMCGs such as beverages and noodles and **CMZ (CMZ SP)**, which produces and sells zippers to the mid-high end of the garment industry.

Utilities and energy logistic plays

We like **GCL-Poly Energy (3800 HK)**, one of China's largest foreign-owned independent power plant operators focused on the development and operation of environmentally friendly and energy efficient cogeneration power plants and **China Oilfield Technology (COT SP)**, a niche services provider for the oil and gas sector focusing on the high-end tertiary oil recovery method.

COMPANY REPORT – HK

Delta Networks: Connect into Matrix

Recommendation: Not Rated **China Industrials**

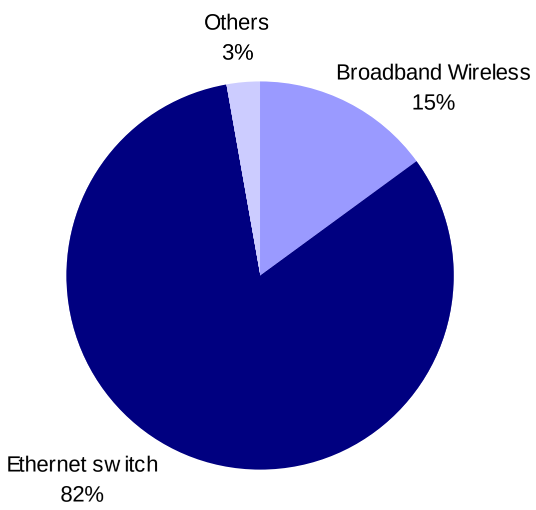
Price	**HK$2.69**	**IPO proceeds**	HK$1,058.4m
12 mth range	HK$2.37-5.99	**ROE (12/06A)**	29.4%
Market cap.	US$412.7m	**Net gearing (12/06A)**	Cash
No. shares o/s	1,196.8m	**Net debt/sh. (12/06A)**	Cash
Daily t/o, 3 mth	US$1.0m	**BV/sh. (12/06A)**	US$0.125
Free float %	37.5%	**Consensus EPS**	
Major shareholder	Delta Group – 59.5%	**- 12/07F**	US$0.027
Ticker	0722.HK/ 722 HK	**- 12/08F**	US$0.037

Key points:

- Leading ODMer of Ethernet switches with tier-one clients.
- Sound industry outlook.
- Increasing outsourcing from branded producers.
- Started shipments to new customers.
- Strong net cash position.

Company background. Spun off from Taiwan-based Delta Group, Delta Networks Inc. (DNI) is mainly engaged in the manufacturing of a wide range of networking products, including Ethernet switches, broadband access products, wireless adaptors and routers. It was Taiwan's third largest LAN switch ODMer, following Acton and Alpha Networks, in 2006, particularly strong in Ethernet switches. Its major customers include Alcatel-Lucent, Dell, H3C, NetGear and Nortel.

Chart 1: Sales mix in 1-3Q FY12/07A



Source: SBI E2-Capital

Solid growth of Ethernet equipment market. Driven by the increasing number of high-data-rate applications, such as streaming video, on-line gaming, VoIP and IPTV, operators are building/upgrading their networks and system capacities. As traditional networks (e.g. voice, data, video) converge, next generation networks (NGN) emerge. With good scalability and reliability, and requiring lower capex / ongoing operating expenses, Ethernet has been chosen as the underlying technology of NGN. According to Infonetics Research, global spending on Metro and carrier Ethernet equipment will increase from US$9.6bn in 2006 to over US$16bn in 2010, representing a CAGR of 11.7%.

Leading player. The company is the world's leading Ethernet switch ODMer. Its segmental turnover nearly doubled from US$148.2m in FY12/04A to US$280.5m in FY12/06. DNI's Ethernet switches include: modular, stackable, PoE, SOHO, Web Smart and server blade switches. Most of them are adopted by premium end-users. In 1-3Q FY12/07, enterprise-level customers (e.g. enterprises, carriers and SOHO enterprises) accounted for 97.3% of the company's Ethernet switch sales or 79.9% of its total turnover.

Market share expansion. The company believes its main competitive strength is its in-house research capability, extensive product portfolio and vertically integrated production model. In our view, these might not be sufficient to differentiate DNI from other sizable ODMers but we are still optimistic about its market share expansion given: 1) increasing outsourcing from branded companies driven by technology maturity and cost pressure; 2) industry consolidation.

New customers in pipeline. The number of large clients (i.e. those contributing US$20m or more to top line) increased from three in 2004 to six in 2006, reflecting the company's effort to expand and diversify its customer base. DNI started first shipments to its new clients this year, which is expected to affect its 4Q FY12/07 results. According to some third-party reports, the new clients might be Cisco/Linksys, HP and IBM.

Broadband wireless business in good shape. We expect its broadband wireless segment, which represented 15.1% of the company's total turnover in 1-3Q FY12/07A, to benefit from the energetic growth of broadband services globally and technology upgrades in mobile Internet services. Worldwide broadband services subscriptions will grow from 263.0m in 2006 to 406.1m in 2010, according to IDC's 2006 report. Meanwhile, the maturity of 802.11n and WiMax technology may trigger large-scale application of these two technologies shortly. According to Gartner, 802.11n WLAN chipset shipments will grow from 133m in 2005 to 952m in 2011 and the WiMax market will reach US$6.3bn, from US$47m in 2005.

Results review. DNI's top line grew 12.7% YoY in 1-3Q FY12/07A to US$304.8m (10.8% YoY to US$94.7m in 3Q). Net profit rose 9.3% YoY to US$19.5m (97.7% YoY to US$7.1m in 3Q on an interest income surge from US$0.6m to US$2.5m after a global offering in June), due to higher research expenses (from US$14.3m to US$20.5m).

Expansion plan. The company plans to acquire and develop new manufacturing sites across China, including a plant in Wujiang. It also intends to complete some strategic acquisitions.

Table 1: Use of proceeds

Acquisition and development of new manufacturing sites	HK$350m
Future strategic acquisitions	HK$393m
Working capital and other general corporate purposes	HK$230m

Source: Company data, SBI E2-Capital

Corporate governance. The company sold total 360.6m shares, including 125.4m old shares from its parent, at HK$4.50 each during the global offering in Jun 2007. We estimate the net proceeds at HK$973.0m. As of Jan 3 2008, Delta group had 712.2m of the company's shares (59.5%) and Employee Incentive Scheme Trustee 124.0m shares (10.4%).

Valuation. The counter is trading at HK$2.69, 40.2% below its offer price. According to market estimates, the present share price represents a 12.8x P/E for FY12/07F, which will decline to 9.3x in FY12/08F, slightly higher than the average of its Taiwanese peers. The company had HK$238.5m net cash at the end of Sep 2007, or HK$1.6 per share. Hence we believe the current valuation is not stretched, with limited downside risk.

Table 2: Valuation comparison

Company name	Ticker	Currency	Mkt. Cap (local m)	Last price (local)	Est Curr Yr P/E (x)	Est Nxt Yr P/E (x)
Cisco	CSCO US	US$	158,469.2	26.12	16.5	14.3
Netgear	NTGR US	US$	1,098.8	31.24	18.2	16.6
Foundry Networks	FDRY US	US$	2,438.1	16.22	21.5	17.6
Average						
D-Link	2332 TT	TWD	32,756.2	47.90	3.9	9.5
ZYXEL	2391 TT	TWD	20,178.6	38.50	12.5	9.3
Alpha Networks	3380 TT	TWD	11,213.5	27.60	8.6	7.2
Average					**8.3**	**8.7**
DNI	**722 HK**	**HK$**	**3,219.4**	**2.69**	**12.8**	**9.3**

Source: Bloomberg

Table 3: P&L

Year to Dec (US$m)	04A	05A	06A	1-3Q06A	1-3Q07A
Revenue	199.8	289.4	357.4	270.9	304.8
Cost of sales	(170.2)	(244.6)	(300.1)	(227.5)	(252.4)
Gross profit	29.6	44.84	57.3	43.4	52.5
Other (loss)/gain - net	0.4	(0.1)	0.9	1.2	2.1
Other income	2.4	1.9	2.4	1.5	2.3
Other expenses				(0.0)	(1.0)
General and administration expense	(5.5)	(7.1)	(8.7)	(6.5)	(9.2)
Selling expenses	(11.5)	(10.5)	(11.7)	(8.6)	(11.0)
Research and development expense	(11.6)	(13.8)	(18.7)	(14.3)	(20.5)
Profit from operations	3.9	15.3	21.5	16.7	15.2
Interest expense	(0.6)	(0.1)	(0.0)	(0.0)	(0.0)
Interest income	0.5	0.5	2.2	1.4	4.5
Net foreign exchange transaction gain	(0.5)	0.4	0.6	0.3	0.9
Profit before income tax	3.2	16.1	24.3	18.4	20.5
Income tax expense	(0.2)	(0.6)	1.3	(0.5)	(0.9)
Profit for the period	3.0	15.5	25.6	17.9	19.6
Attributable to					
Equity holders of the Company	3.0	15.5	25.5	17.9	19.5
Minority interests	0.0	0.0	0.1	0.0	0.1
Dividends	-	-	-	-	-
EPS - Basic (US$)	0.004	0.019	0.030	0.021	0.022

Source: Company data

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GCL-Poly Energy: Green IPP in China

Recommendation: Not Rated | **China Utilities**

Price	**HK$3.42**	**IPO proceeds**	HK$1,072.5m
12 mth range	HK$2.86-5.56	**ROE (12/06A)**	12.8%
Market cap.	US$426.4m	**Net gearing (12/06A)**	381.2%
No. shares o/s	972.4 m	**Net debt/sh. (12/06A)**	HK$2.04
Daily t/o, 3 mth	na	**BV/sh. (3/06A)**	HK$0.53
Free float %	29.6%	**Consensus EPS**	
Major shareholder	Mr. Zhu Gong Shan – 40.0%	**- 3/07F**	na
Ticker	3800.HK/ 3800 HK	**- 3/08F**	na

Key points:

- Environmentally friendly and energy-efficient IPP in China.
- Beneficiary of the government's environmental and energy policies
- Attributable installed capacity to expand 57.7% by end-FY12/08F.
- Rights to acquire power assets from major shareholders.
- Engaged in the development of wind farms in Inner Mongolia.
- Provide verified emission reductions to foreign enterprises.

Environmentally friendly IPP. Listed on the HKEX in Nov 2007, GCL-Poly Energy is one of China's largest foreign-owned independent power plant operators focused on the development and operation of environmentally friendly and energy-efficient cogeneration power plants. The group owns and operates coal-fired cogeneration plants, gas-fired cogeneration plant, resources comprehensive utilization plants, biomass power plants and municipal solid waste incineration plants. It benefits from government incentives to encourage environmentally friendly power plants, such as higher on-grid tariffs, higher utilization hours, higher dispatch priority, exclusive rights to sell steam within the heat zone of its cogeneration plants and preferential tax treatments. It has recently entered into a conditional agreement to acquire rights to develop a wind farm in Inner Mongolia. Its 100.0%-owned Taicang incineration plant is expected to sell verified emission reductions to Cargill International S.A.

Growth by acquisition. As of the end of April 2007, the company's total attributable installed capacity and attributable steam extraction capacity stood at 387.6MW and 762.0ton/h, respectively. Including its share in its associates, its total attributable installed capacity and attributable steam extraction capacity was 464.3MW and 1,017.5ton/h, respectively, at end-April 2007. The company plans to boost its total attributable installed capacity and attributable steam extraction capacity to 732.3MW and 1,671.4ton/h, respectively, by the end of 2008 through acquisitions. Its major shareholders have granted the group an option to acquire stakes in seven power plants, which if exercised, will boost its attributable installed capacity to 1,889.0MW.

Benefiting from environmental and energy policies. Currently, the group owns majority interests in 10 power plants and minority stakes in five power plants. Its power plants can be classified into five types: 1) coal-fired cogeneration plants, 2) gas-fired cogeneration plants, 3) resources comprehensive utilization plants, 4) biomass power plants and 5) municipal solid waste incineration plants. All environmentally friendly and fuel-efficient, the plants enjoy incentives provided by the government, such as:

- **On-grid tariff premium.** According to the Provisional Measures on the Tariff and Cost Allocation Related to Renewable Resources and other regulations, cogeneration plants and plants utilizing renewable fuels generally enjoy higher on-grid tariffs than conventional coal-fired power plants in the same province.

- **Dispatch priority.** Most of the group's power plants are entitled higher electricity dispatch priority than conventional coal-fired power plants, due to their environmentally friendly status. Biomass plants and power plants fuelled by municipal solid waste are entitled to sell all of their power output to the grid company. Resource comprehensive utilization plants and cogeneration plants are granted higher utilization hours than conventional coal-fired power plants.

- **Tax breaks.** Most of the group's cogeneration plants are exempted from China's enterprise income tax for two years from the first year of assessable profit, and are granted a 50% tax break for three years thereafter. After that, they are eligible for a preferential tax rate of 15%. Once a power plant is recognized as a resource comprehensive utilization plant, it is required to pay only half of the applicable VAT.

- **Favourable policies.** The government allows no new cogeneration plants or boilers within the heat zone of an existing or planned cogeneration plant. Local environmental protection and technical supervision authorities must not approve any additional expansion project of small boilers within the heat zone. When a cogeneration plant commences production, the local government shall order the demolition of all smaller boilers within the heat zone within three months. Those with large capacities and good equipment may be permitted to remain as back up plants during peak hours. In the heat zone of an existing cogeneration plant, there shall be no operation of independent small coal-fired boilers. All existing independent small coal-fired boilers shall cease operation within a stipulated period of time. This exclusive steam sale arrangement does not require power plants to meet certain thermal efficiency and heat to power ratios.

Strategic investor. In Nov 2006, the group issued a convertible note to MS China 3 Ltd (wholly-owned subsidiary of Morgan Stanley Emerging Markets Inc. wholly-owned by Morgan Stanley) in the principal amount of US$88.0m, with 60% or US$52.8m of the note to be converted to 203.3m shares @ about HK$2.01 each, or 20.9% of the total issued share capital of the group, after the IPO and Poly Acquisition The non-convertible redeemable portion of the convertible note comprises a loan in the principal amount of US$35.2m, which will be repaid in full after the IPO. Among the shares to be converted from the convertible note, 43.2m were sold during the stabilization period in Dec 2007, and 160.1m will be subject to a lock-up period of six months from 13 Nov 2007 and will not be counted as part of the public float. Further, the group entered into a coal supply agreement with MS China 3 Ltd on 1 Sep 2006. Morgan Stanley Capital Group, a fellow subsidiary of MS China 3 Ltd, has been engaged in the trading of physical and financial coal bilaterally.

Carbon credit provider. The group's 100.0%-owned Taicang incineration plant is preparing to participate in a Verified Emission Reductions (VERs) project. In March 2007, the plant entered into a VER purchase agreement with Cargill International S.A., under which the plant is expected to deliver its VERs to the buyer and receive payment by end-Nov 2007.

Wind power project. In Oct 2007, the group entered into a conditional sale and purchase agreement with its major shareholder to acquire the entire equity interest in Huitengliang Project Co for RMB20.0m. Huitengliang Project Co has the right to develop the Inner Mongolia Huitengliang Wind Farm Project located in Xilin Gol League of the Inner Mongolia Autonomous Region. The acquisition is expected to be completed in early 2008. The Inner Mongolia Huitengliang Wind Farm Project has been granted the right to develop a wind farm with a total installed capacity of 49.5 MW.

Earnings forecasts. According to the group's prospectus, its earnings before loss on an increase in the fair value of the convertible note and net loss for FY12/07F are projected at HK$63.9m and HK$212.1m, respectively. However, its major shareholders (Mr. Zhu and HIL) provide profit guarantees to MS China 3 regarding the issuance of the convertible note. If the company's after tax earnings for FY12/08F fall short of US$33.0m (HK$257.4m), the major shareholders will compensate MS China 3. HK-listed China-based IPPs are trading at average one-year forward P/E of 20.4x and two-year forward P/E of 16.7x. Meanwhile, China Everbright International (257 HK, HK$4.05, NR), is trading at one-year forward P/E of 69.8x and two-year forward P/E of 47.6x.

Table 1: Peer group comparison

Company name	Ticker	Year End	Currency	Price	Market Cap (US$m)	P/E (x) 1-yr forward	P/E (x) 2-yr forward
Huadian Power Intl.	1071 HK	Dec	HKD	3.88	6,710.2	17.7	12.7
Huaneng Power Intl.	902 HK	Dec	HKD	8.09	21,741.1	14.2	13.3
Datang International Power	991 HK	Dec	HKD	6.77	26,766.4	20.4	17.1
China Resources Power	836 HK	Dec	HKD	25.95	13,728.8	31.6	24.0
China Power Intl. Dev.	2380 HK	Dec	HKD	3.69	1,703.0	20.6	11.9
China Everbright IIntl.	257 HK	Dec	HKD	4.05	1,621.4	69.8	47.6
Average						*21.5*	*17.4*

Source: SBI E2-Capital

Share capital. After its listing, the group's total number of shares outstanding is 972.4m. Mr. Zhu Gong Shan, MS China 3, CMIC-NCHK Energy, a wholly-owned subsidiary of Poly (Hong Kong) Investments and the public own 40.0%, 20.9%, 9.5% and 29.6%, respectively.

Poly acquisition. Before the listing, the group had minority stakes in five associated power plants, Taicang Poly Cogeneration Plant (49.0%), Peixian Cogeneration Plant (49.9%), Dongtai Cogeneration Plant (49.9%), Xuzhou Cogeneration Plant (38.25%) and Jiaxing Cogeneration Plant (44.0%). In order to consolidate the plants, it acquired interests held by the Poly Group in each of the five associates and the Funing Cogeneration Plant. Following the acquisitions, the group's interests in Taicang Poly Cogeneration Plant, Dongtai Cogeneration Plant and Peixian

Cogeneration Plant increased to 100.0% each. Its stakes in Xuzhou Cogeneration Plant and Jiaxing Cogeneration Plant increased to 75.0% and 95.0%, respectively. Further, it has 29.4% in the Funing Cogeneration Plant. After the acquisition, the group's attributable installed capacity expanded to 558.1MW from 464.3MW, or 20.2%. Its attributable steam extraction capacity expanded to 1,379.77ton/h from 1,017.5ton/h, up 35.6%.

Valuation of the Poly acquisition. The audited net asset value of the power plants was HK$515.6m as of end-Apr 2007, of which HK$232.2m was attributable to Poly Group. The total consideration of the acquisitions is estimated at HK$437.6m (RMB410.0m), of which HK$50.0m was satisfied in cash and HK$387.6m by an issue and allotment of 91.9m shares at HK$4.10 each to Poly Group. The valuation represents a P/B of 1.9x and P/E of 14.5x for FY12/06A. It is worth to note that the original cost of Poly Group's interests in the power plants was HK$312.3m (RMB292.6m).

Post IPO acquisitions. In addition, the group is expected to acquire 49.0% in Beijing Cogeneration Plant, an additional 30.6% in Funing Cogeneration Plant and the entire equity interest in Puyuan Cogeneration Plant, Suzhou Fuel Company , Huitengliang Project Co and Xinneng Cogeneration Plant from its major shareholder, Mr Zhu, at the total consideration of HK$363.1m, representing a P/E of 28.4x for FY12/06A and P/B of 79.0x. According to the company's prospectus, except Huitengliang Project Company, the acquisitions of the targeted assets shall be completed by end-2007. The acquisition of Huitengliang Project Co will be completed in early 2008. No further details are available at the moment. The consideration of the acquisitions would be satisfied in cash. After the acquisitions (except Huitengliang Project Co), the group's total attributable installed capacity and steam extraction capacity will reach 682.8MW and 1,671.4ton/h, respectively. Upon completion of the acquisition of the Huitengliang Project Co, the group's total attributable installed capacity and steam extraction capacity will expand to 732.3MW and 1,671.4ton/h, respectively.

Potential acquisition targets. The Nanjing Cogeneration Power Plant, Longgu Power Plant, Taicang Harbour Power Plant, Guohua Taicang Power Plant, Lanxi Project Co, Yonghe Project and Baoxin Project Co were excluded from the group upon listing for various reasons. The major shareholders of the group have granted options to the group to acquire the interests in these power plants. If the option is exercised, the company's attributable installed capacity will expand to 1,889.0MW.

Table 2: P&L

Year end Dec (HK$m)	2004	2005	2006
Revenue	438.4	822.8	910.0
Cost of sales	(365.3)	(675.8)	(710.8)
Gross profit	73.1	147.0	199.3
Other income	15.9	26.3	36.8
Administrative expenses	(36.6)	(52.1)	(69.0)
Finance costs	(33.1)	(68.5)	(105.5)
Share of results of associates	-	-	46.7
Loss on increase in fair value of convertible note	-	-	(86.6)
Discount on acquisition of the equity interest in an associate	-	-	67.5
Pre-tax profit	19.4	52.6	89.2
Income tax credit/expenses	0.4	0.2	(3.5)
Minority interests	(14.9)	(25.8)	(27.4)
Net profit	4.9	27.0	58.3
Basic EPS (HK$)	0.015	0.069	0.150

Source: Company data

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Pacific Online: Top vertically integrated portal in China

Recommendation: Not Rated **China Internet**

Price	**HK$2.84**	**IPO Proceeds**	HK$572.7m
12 mth range	HK$2.62-3.66	**ROE (12/06A)**	60.3%
Market cap.	US$358.7m	**Net gearing (12/06A)**	Cash
No. shares o/s	950.0m	**Net debt/sh. (12/06A)**	Cash
Daily t/o, 3 mth	na	**BV/sh. (3/06A)**	RMB0.12
Free float %	40.3%	**Consensus EPS**	
Major shareholder	Wai Lam Yan – 27.0%	**- 12/07F**	RMB0.095
Ticker	0543.HK/ 543 HK	**- 12/08F**	NA

Key points:

- China's only pure Internet advertising company listed on the HKEx. Other near comparables such as Sina and Sohu are listed overseas. PConline is a market leader in the vertically-integrated portals category.
- Vertically-integrated portals such as those run by PConline are taking market share away from general portal operators such as Sina and Sohu.
- Consumer electronics accounts for only 5.3% of China's Internet advertising and, together with the automobile sector, is the fast growing segment in terms of advertising budgets. PConline is in a prime position to tap this growth.
- Generates a significant amount of content in-house.
- Great growth potential – China's Internet advertising revenue reached US$759.6m in 2006 and should top US$2,241.4m by 2009, registering a three-year (2006-2009) CAGR of 43.4%. Internet advertising is growing at a faster rate than the overall advertising industry.
- From 2004 to 2006, revenue grew at a CAGR of 45.0% and net profit at 44.2%.

Background. Founded in 1993 and launched in 1997, Pacific Online Limited (PConline) provides information on IT-related products, automobiles, PC games, women lifestyles and parenting in China. The listco has monetized its Internet platform by online advertising.

Top position. The page view of the company's pconline.com.cn website for IT-related products launched in 1999 reached 586m in 1H FY12/07A. In 2002, PConline launched pcauto.com.cn, a website for automobile products, which recorded page views of 207m in 1H FY12/07A. Its pcgames.com.cn (PC games) was launched in 2003, pclady.com.cn (women life-style-related products) in 2004 and pckids.com.cn (parenting-related products) in 2007. According to iResearch, in 2006, PConline ranked the third, after Sina (SINA US) and Sohu (SOHU US) in advertising revenue for IT-related products and the ninth in car products. pcauto.com.cn was named the best in automobile-related coverage by the China Internet Survey in 2007.

In-house content. In contrast to other general portals, PConline generates a significant amount of content in-house. It focuses on product specific articles, draft product test reports, monitoring of price trends, reviewing and editing contributions from third party writers and drafting new product reviews.

Solid margins. PConline have traditionally maintained a gross margin in excess of 70%. This is higher than both Sina and Sohu, whose margins are around the 60% range. This is expected as Sina/Sohu operates many other different platforms e.g. blogs, videos etc, which has higher operating and bandwidth costs. In addition, the large amount of in-house content (as oppose to sourcing third party content) allows PConline to better control costs. While we expect gross margins to trend down going forward, as the company's operations expand, we still expect it to be maintained at a healthy level.

Growth in China's Internet advertising. China's Internet advertising sector is developing rapidly. According to ZenithOptimedia, Internet advertising revenue reached US$759.6m in 2006 and is expected to top US$2,241.4m by 2009, with a three-year (2006-2009) CAGR of 43.4%. According to iResearch, IT-related product and automobile makers were the two largest client groups of China's Internet advertising in 2006. IT-related products accounted for 20.5% of total Internet advertising revenue and automobiles for 16.5%. China's Internet advertising segment is growing significantly faster than the overall advertising sector. Between 2003 to 2006, Internet advertising's share of the overall pie increased from 1.9% to 6.1%. At the same time, vertically-integrated portals is taking market share from general portals with a trend that market share of general portals had decreased from 76.5% to 58.3%

while vertically-integrated portals had increased from 20.4% to 27.7%.

New monetizing platform. The company is trying to develop e-commerce to capitalize on its brand name and traffic volume. It started to sell LCD TVs online in March 2007 and makes profit from the difference between the online price and purchase price offered by manufacturers. The business is still at its initial stage.

Financial performance. The company's revenue rose 31.1% YoY to RMB94.2m in 1H FY12/07A and gross profit 29.5% YoY. From 2004 to 2006, revenue grew at a CAGR of 45.0% and net profit at 44.2%

Table 2: Use of net proceeds

	HK$m	%
Expanding and upgrading its Internet portal	130.0	22.7
Acquisitions	225.4	39.4
Working capital	57.3	10.0
Purchase of new facilities	50.0	8.7
Marketing	40.0	7.0
Research and development	40.0	7.0
Developing E-commerce platform	30.0	5.2
Total	**572.7**	**100**

Source: Company data

Table 3: Financial highlights

Year to Dec (RMBm)	04A	05A	06A	1H06	1H07
Turnover	81.3	114.3	171.0	71.9	94.2
Gross profit	65.8	86.3	124.8	53.3	67.3
Profit before tax	36.3	52.3	82.0	38.0	48.0
Net profit	32.3	46.0	67.2	30.8	40.0

Source: Company data

Table 4: Turnover breakdown

Year to Dec (RMBm)	04A	05A	06A	1H06	1H07
Pconline.com.cn	72.1	96.6	131.3	58.4	62.6
Pcauto.com.cn	5.5	12.9	33.5	10.5	28.1
Other portals	1.1	2.2	4.8	1.6	3.5
Network service income	2.6	2.6	1.3	1.3	0
Total	**81.3**	**114.3**	**171.0**	**71.9**	**94.2**

Source: Company data

Table 5: Margins

Year to Dec (%)	04A	05A	06A	1H06	1H07
Gross	80.9	75.5	73.0	74.1	71.5
Before taxes	44.6	45.8	48.0	52.9	51.0
Net	39.7	40.2	39.3	42.8	42.5

Source: Company data

Table 6: Key ratios

Year to Dec	04A	05A	06A	Pro Forma 06A
Inventory days	-	-	-	-
Receivable days	55	47	59	59
Payables days	216	143	143	143
Current ratio (x)	2.4	2.2	2.5	11.7
Gearing (%)	Cash	Cash	Cash	Cash
ROE (%)	81.2	74.9	60.3	9.8
Debt/equity (%)	-	-	-	-
Interest coverage (x)	-	-	-	-

Source: Company data, SBI E2-Capital

Valuation and view. PConline is currently trading at HK$2.84, down from the IPO price of HK$3.30. Overall market sentiment was weak at the time of listing and the counter fell to a low of HK$2.62 before rebounding to current levels. However, at a FY12/07F P/E of 29.9x on a fully diluted basis (based on profit guarantee of HK$90.0m), we are favourable on the company for its attractive valuation. US peers, including Sina (SINA US) and Sohu (SOHU US), are trading at an average 50.4x FY12/07F P/E and 32.8 FY12/08F P/E and HK peers, Tencent (700 HK), is trading at 70.2x FY12/07F P/E and 49.5x FY12/08F P/E, based on market estimates. Furthermore, we like the company for its unique positioning on the Hong Kong bourse and niche focus.

Table 7: P&L

Year to Dec (RMBm)	04A	05A	06A	1H 06A	1H 07A
Revenue	81.3	114.3	171.0	71.9	94.2
Costs of sales	(15.5)	(28.0)	(46.2)	(18.5)	(27.0)
Gross profit	65.8	86.3	124.8	53.3	67.3
Selling and marketing costs	(15.5)	(18.1)	(26.7)	(9.1)	(11.6)
Administrative expenses	(11.2)	(13.4)	(13.4)	(5.1)	(6.9)
Product development expenses	(2.9)	(3.1)	(3.7)	(1.5)	(1.8)
Operating profit	36.2	51.7	80.9	37.5	47.0
Interest income	0.1	0.5	1.1	0.5	1.0
Share of (loss)/profit of an associate	-	-	-	-	-
Profit before income tax	36.3	52.3	82.0	38.0	48.0
Income tax expense	(4.0)	(6.3)	(14.8)	(7.2)	(8.1)
Net profit	32.3	46.0	67.2	30.8	40.0
Dividend	20.3	56.5	92.4	-	-

Source: Company data

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Qunxing Paper: Specialty paper play

Recommendation: Not Rated China Industrials

Price	**HK$3.94**	**IPO proceeds**	HK$1,130.8m
12 mth range	HK$3.30-10.28	**ROE (12/06A)**	67.6%
Market cap.	US$550.5m	**Net gearing (12/06A)**	46.4%
No. shares o/s	1045m	**Net debt/sh. (12/06A)**	RMB0.32
Daily t/o, 3 mth	US$7.7m	**BV/sh. (12/06A)**	RMB1.72
Free float %	32%	**Consensus EPS**	
Major shareholder	Zhu Yu Guo – 68%	**- 12/07F**	RMB0.20
Ticker	3868.HK/ 3868 HK	**- 12/08F**	RMB0.34

Key points:

- China's leading specialty paper maker.
- High entry barriers in a very fragmented industry.
- One of China's few manufacturers capable of producing high-class decorative base paper products.
- Insufficient supply drives ASPs for high-class decorative base paper products.
- Proxy to demand for laminated boards.
- Capacity expansion to meet growing demand boosted by favourable government policies for decorative base paper products.
- Trading at 19.5x FY12/07F P/E and 11.5x FY12/08F P/E on a consensus basis.

Leading specialty paper maker. Founded in 1999, Qunxing Paper is engaged in the manufacture and sale of specialty paper products, such as decorative base paper and printing paper. Most of the company's customers are laminated boards manufacturers. Qunxing Paper has developed over 80 types of decorative base paper products. In 2005 and 2006, the China Paper Association named Qunxing Paper as China's largest decorative base paper manufacturer in terms of actual annual production capacity. The company started to extend its business to the manufacturing and sale of printing paper product in Jul 2006 by leveraging on its existing production facilities and technical know-how in decorative base paper products. The printing paper products are sold mainly to paper processing and trading companies.

High-class decorative base paper products. Decorative base paper products are commonly used as the decorative layer (intermediate product) to furnish the surface of laminated boards, in interior decoration of furniture, fortified wooden floorboards, buildings and transportation vehicles. Decorative base paper products are primarily made from wood pulp. Qunxing Paper's decorative base paper products fall into four categories according to different technical attributes (such as adhesiveness, water absorption level, sustainability to pressure and colour variation): 1) premium coloured; 2) premium white; 3) ordinary coloured and 4) ordinary white. According to the general classification adopted by the China Paper Association, Qunxing Paper's products are recognized as high-class decorative base paper products.

Table 1: Turnover breakdown

Year end Dec (RMBm)	2004	%	2005	%	2006	%
Decorative base paper	467.2	*100.0*	696.4	*100.0*	834.2	*87.7*
Printing paper	-	-	-	-	116.7	*12.3*
Total	467.2	*100.0*	696.4	*100.0*	950.8	*100.0*

Source: Company data

Table 2: Gross margin by product

(%)	2004	2005	2006
Decorative base paper	18.1	19.1	20.2
Printing paper	-	-	13.3

Source: Company data

Raw materials. The principal raw material for decorative base paper products and printing paper products is wood pulp and titanium dioxide powder. Together they account for c.70.0% of the company's total production costs. The company buys wood pulp from local distributors, who import from overseas. Its titanium dioxide powder is also purchased locally. The recent price increases did not have any impact, as the company was able to pass them down to customers.

Fragmented but high entry barrier. According to the China Paper Association, China's paper manufacturing industry grew at a CAGR of c.12.9% in terms of production volume between 2000 and 2005. Currently, the country is the world's second largest producer and consumer of paper products. Over the last decade, the industry consolidated with small-scale producers pushed out of the market. Despite this, the paper industry in China still remains fragmented, with high entry barriers due to its intensive capital requirements, stringent environmental protection regulations and tight raw materials supply.

Shortage drives ASPs of high-class decorative base paper products. China's annual demand in 2005 amounted to c. 1.7m tonnes, with high-class decorative base products accounting for c. 0.9m tonnes (52.9%) and regular products representing the rest. Currently, only 30.0% of China's demand for high-class decorative base paper is met locally (70.0% is met by imports) as only a few domestic paper manufacturers in China have the expertise to manufacture such products. Qunxing Paper currently accounts for one third of the domestic decorative base paper production. The shortage led to 5.0 – 8.0% increases in ASPs of decorative base paper products in 2006, which further boosted Qunxing Paper's top line growth.

Proxy to laminated board demand. China's production and consumption of laminated boards is rising driven by its increasing consumer spending, GDP and booming property market. This fuels the demand for specialty paper products. According to the China Paper Association, China's annual domestic demand for specialty paper grew at a CAGR of c. 17.6% between 2000 and 2005, compared with the CAGR of c.10.6% for all paper products in the period and is expected to grow 33.3% to 2.4m tonnes in 2010 and c.25.0% to 3.0m tonnes in 2015.

Capacity enhancement to meet growing demand. At its production base in Binzhou in Shandong province, the company operates six automated paper production lines with a total annual capacity of 170,000 tonnes. Qunxing Paper is currently building another line with a designed annual production capacity of 30,000 tonnes, which should come on stream in early 2008. It also plans to set up four production lines by end-2009 with an aggregate designed annual production capacity of c. 120,000 tonnes, boosting the total annual capacity to 320,000 tonnes.

Table 3: Production capacity

Production line no.	Date of commencement	Annual production capacity (tonnes)
1	Oct-99	10,000
2	Aug-02	20,000
3	May-03	30,000
4	Aug-04	50,000
5	Apr-06	30,000
6	Apr-06	30,000

Source: Company data

Favorable government policy. Laminated board is more environmentally friendly than wood or plastic. In recent years, the Chinese government has been encouraging the use of wood pulp instead of wood and timber in the manufacturing of paper products. This policy will help fuel demand for decorative base paper products, which are a key material for making laminated board.

Investment highlights.

- Well positioned to tap market opportunities presented by China's national policies and to capitalise on the growing demand for decorative base paper products;
- Plans to add four new paper production lines by 2009 boosting capacity to 320,000 tonnes from 170,000 tonnes to take advantage on economies of scale and become more competitive;
- Increasing variety of industrial applications of decorative base paper products;
- China's rising personal spending and GDP, and booming property market will drive demand for furniture and decoration products fuelling demand for laminated board and decorative paper base products.

Corporate governance. Qunxing Paper was listed on the HKEx on 2 Oct 2007. The company appointed KPMG as its auditor. Its major shareholder Mr. Zhu Yu Guo holds 67.9% and public shareholders account for 32.1%.

Valuation. Currently, the counter is trading below the IPO price of HK$5.35. In our view, the stock was too pricy during its IPO. The current valuation looks attractive at 19.5x FY12/07F P/E and 11.5x FY12/08F P/E on a consensus basis, compared with Lee & Man (2314 HK, HK$34.05, NR) and Nine Dragons (2689 HK, HK$19.78, NR), which are trading at a forward P/E current P/E of 24.9x and 27.7x, respectively.

Table 4: Peer comparison

Company name	Ticker	Market Cap (US$m)	P/E (x) Current	P/E (x) 1-yr forward	ROA (%)	ROE (%)
Hung Hing Print	450 HK	257.2	9.7	8.0	6.9	13.2
Samson Paper	731 HK	100.7	15.3	14.1	2.4	7.6
Lee & Man Paper	2314 HK	4,933.7	24.9	17.1	12.9	19.9
Nine Dragons Paper	2689 HK	10,800.2	27.7	20.2	11.4	21
Hop Fung Group	2320 HK	173.2	10.3	7.0	9.1	16.6
Average			*17.6*	*13.3*		

Source: Bloomberg, SBI E2-Capital

Table 5: Margin trend

Margin (%)	2004	2005	2006
Gross profit	18.1	19.1	19.4
Net profit	9.5	9.8	9.9

Source: Company data

Table 6: P&L

Year end Dec (RMBm)	2004	2005	2006
Turnover	**467.2**	**696.4**	**950.8**
Cost of sales	(382.5)	(563.1)	(766.7)
Gross profit	**84.7**	**133.3**	**184.1**
Other revenues	0.4	0.7	0.7
Selling expenses	(5.1)	(7.0)	(9.6)
Administrative expenses	(6.3)	(9.4)	(11.9)
Operating profit	73.7	117.6	163.3
Finance costs	(5.3)	(13.8)	(20.6)
Before tax profit	**68.4**	**103.8**	**142.7**
Income tax	(24.0)	(35.5)	(48.8)
Profit for the year	**44.4**	**68.3**	**93.9**
EPS -basis (RMB)	0.06	0.09	0.13

Source: Company data

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Sinotruk: Strong China demand with overseas exposure

Recommendation: Not Rated **China Transportation and Logistics**

Price	**HK$11.00**	**IPO proceeds**	HK$9,432.4m
12 mth range	HK$9.99-12.82	**ROE (12/06A)**	40.2%
Market cap.	US$3,389.5m	**Net gearing (12/06A)**	190.2%
No. shares o/s	2,275.2m	**Net debt/sh. (12/06A)**	RMB2.01
Daily t/o, 3 mth	na	**BV/sh. (12/06A)**	RMB1.06
Free float %	3.07%	**Consensus EPS**	
Major shareholder	Sinotruk Group – 62.52%	**- 12/07F**	RMB0.441
Ticker	3808.HK/ 3808 HK	**- 12/08F**	na

Key points:

- China's largest heavy truck manufacturer with a 24.6% of the market of higher-end cargo trucks. One of China's few manufacturers capable of producing its own engines.
- Strong recognition of its 中国重汽 brand. Series such as HOWO (豪濼), Sitaier King (斯太尔王), Sitaier (斯太尔), and Huanghe (黄河) target different market segments without diluting the overall brand value.
- Prime beneficiary of China's road network build out and burgeoning transportation and logistics industry. Railway network development will also spur demand.
- Potential to build its engine sales business.
- Exposure to overseas emerging countries. In Jan-Sep FY12/07A, 16.7% of revenue came from overseas markets including the Middle East and Russia.

Company background. Sinotruk is China's largest vertically integrated heavy truck manufacturer with a history of over 40 years and operating in four business segments: 1) manufacturing and sales of trucks; 2) manufacturing and sales of engines; 3) provision of financing services and 4) provision of design and research services. Based in Jinan, Shandong province, the company operates manufacturing/assembly facilities in Jinan, Chongqing and Hangzhou.

Largest heavy truck manufacturer in China. According to the China Automotive Industry Association, Sinotruk is the country's largest heavy truck manufacturer. In Jan-Sep of 2007, parent Sinotruk Group had 20.8% of China's heavy truck market. The company has 24.6% of the cargo truck and chassis market with a gross vehicle weight (GVW) of over 19 tonnes, meaning that Sinotruk Group focuses on the high-end of the heavy truck market. Listco Sinotruk is responsible for the majority of the parent's market share lead, with 90.1% of the aggregate sales volume of Sinotruk Group for the first nine months of 2007.

Table 1: Heavy truck industry market share (Jan – Sep 2007)

Heavy trucks		Cargo trucks & chassis (GVW > 19t)		Semi-tractor trucks (capacity > 25t)	
Manufacturer	**Market share (%)**	**Manufacturer**	**Market share (%)**	**Manufacturer**	**Market share (%)**
Sinotruk Group	20.8	Sinotruk Group	24.6	First Auto Group	28.3
First Auto Group	20.3	Dongfeng Motor Group	15.1	Sinotruk Group	19.8
Dongfeng Motor Group	17.7	First Auto Group	14.6	Shaanxi Auto Group	17.0
Shaanxi Auto Group	11.9	Beiqi Foton Motor	10.7	Beiqi Foton Motor	14.1
Beiqi Foton Motor	11.6	Shaanxi Auto Group	10.1	Dongfeng Motor Group	13.0
Others	17.5	Others	24.9	Others	7.8

Source: Company data

Table 2: Historical heavy truck sales volume breakdown

Type	2004	2005	2006	9M 2007
Cargo trucks and chassis	21,289	21,266	33,797	34,341
Semi-tractor trucks	21,927	14,112	17,776	28,933
Total	**43,216**	**35,378**	**51,573**	**63,274**

Source: Company data

Strong brand recognition. Sinotruk's brand name of 中国重汽 enjoys strong recognition. The company also maintains "series", such as HOWO (豪濼), Sitaier King (斯太尔王), Sitaier (斯太尔), and Huanghe (黄河). This allows it to target different market segments without diluting the overall brand value of Sinotruk.

Growth drivers are different to standard automobile stocks. As the only pure heavy truck manufacturer listed on the Hong Kong bourse, Sinotruk is unique and subject to growth drivers which are different to standard automobile stocks. The company is a prime beneficiary of: 1) China's infrastructure build out; 2) growth in China's transportation and logistics industry and 3) increasingly stringent environmental requirements. The first two items form key short-to-mid term growth drivers. After a correction year in 2004, in which the Chinese government implemented new regulatory policies, sales grew from 236,600 units in 2005, to 307,300 units in 2006 to 374,900 units in Jan-Sep 2007. We believe that government's policies to beef up China's transport infrastructure and anti-overloading policies will continue to fuel demand for heavy trucks.

Table 3: Historical revenue breakdown

Year to Dec (RMBm)	04A	05A	06A	9M 06A	9M 07A
Trucks	9,109.1	8,213.7	11,982.6	8,608.0	15,174.1
Engines	1,047.5	881.8	731.6	437.8	952.2
Finance	3.8	16.0	50.3	41.9	11.5
Others	3.2	2.9	3.0	4.4	3.6
Total	10,163.6	9,114.4	12,767.5	9,092.2	16,141.4
YoY chg (%)		*(10.3)*	*40.1*		*77.5*

Source: Company data

National railway build out will not cannibalize heavy trucks demand. The government's plans to expand China's national railway network will not cannibalize the heavy truck market in our view. From a logistics perspective, railway transportation is more suitable and cost/time efficient for high volume, low unit value goods, such as commodities on a hub-to-hub basis along trunk routes. Road transportation will still be needed for distribution away from the main railway hubs to local end-user destinations.

Self-developed technologies and strong R&D. Sinotruk has been developing its R&D capabilities for around 20 years through purchasing technologies and collaborating on research projects with German and Austrian manufacturers. The company now maintains a R&D team of 370 and its centre is a nationally accredited research institute. As of end-Sep 2007, the company owned 52 China registered patents (six inventions / 45 utility models / one design).

Vertically integrated with engine production facilities. The company is one of China's few heavy truck manufacturers capable of producing its own engines. Its current engine production capacity is primarily internally consumed. We expect Sinotruk to further develop this segment since its new engines are based on the China III emission standards (similar to the Euro III standards), which could create marketing opportunities in the Middle East and Eastern Europe.

Table 4: Historical engine sales volume breakdown

Year to Dec (RMBm)	04A	05A	06A	9M 07A
Use for internal production	2,172	4,022	50,923	68,259
Sold to related/unrelated third parties	17,890	17,353	8,837	10,662
Total	**20,062**	**21,375**	**59,760**	**78,921**

Source: Company data

Export base established. In Jan-Sep FY12/07A, overseas sales totaled RMB2,691.6m, accounting for 16.7% of the company's total revenue. The company currently exports to the Middle East, Russia and South East Asia.

Table 5: Historical revenue breakdown by region

Year to Dec (RMBm)	04A	05A	06A	9M 06A	9M 07A
China	10,067.1	8,062.6	11,204.7	7,842.5	13,449.7
Overseas	96.5	1,051.9	1,562.7	1,249.7	2,691.6
YoY chg (%) - overseas		*990.1*	*48.6*		*115.4*
% of overall turnover - overseas	*0.9*	*11.5*	*12.2*	*13.7*	*16.7*

Source: Company data

Use of IPO proceeds. The company priced its IPO at HK$12.88 (top end of the indicative price range) and exercised the over-allotment option in part. It plans to use the HK$9432.4m proceeds for the following:

- About HK$1,200.0m to expand engine manufacturing capacity.
- About HK$1,300.0m to expand truck manufacturing capacity.
- About HK$800.0m to expand other manufacturing facilities.
- About HK$1,226.6m for research and development.
- About HK$1,053.4m for domestic and overseas market expansion.
- About HK$2,872.5m for debt repayment.
- Remaining HK$980.0m for general working capital.

Historical relationship with Weichai Power. Previously, the company's engine manufacturing business was conducted through Weichai Power (2338 HK) and parent Sinotruk Group was, at the time of Weichai Power's listing in 2004, its largest shareholder with a 23.5% stake. In Jun 2006, in preparation for Sinotruk's listing, parent Sinotruk Group transferred its stake in Weichai Power to Shandong SASAC. After which Sinotruk resumed the engine manufacturing business.

Dispute with Weichai Power. In Nov 2006, Weichai Power alleged that several companies, including the listco and parent Sinotruk Group infringed on certain patents of Weichai Power. Sinotruk's management are of the view that the patents in dispute were either in the public domain or had been used by Sinotruk prior to the issue of the patents and has since initiated proceedings to repeal their application. In any case, the company has already identified commercially available, cost comparable workarounds. We do not expect any material impact on the company should the outcome of the dispute turn out to be unfavourable, as the parent has undertaken to indemnify the listco for any potential loss or damage.

Shareholding structure. Post IPO, parent Sinotruk Group is the largest shareholder with a stake of 62.52%, while the PRC National Security Fund (NSSF) is the second largest shareholder with 3.41%. Public shareholders collectively hold the remaining 34.07%.

Valuation and view. The company has provided a net profit forecast of HK$1,003.3m for FY12/07F, implying that the counter is currently trading at 24.9x FY12/07F P/E, below its IPO price. In our view, the current underperformance is partly due to the alleged patent infringement, its diversification into the heavy truck business through a 51% stake in Shaanxi Zhongqi and increasing competition in the sector. However, we like the company because of: 1) China's increasing demand for higher capacity heavy duty trucks; 2) its strong recognizable brand name; 3) exposure to overseas emerging countries and 4) potential to grow its engine manufacturing business.

Table 7: P&L

Year to Dec (RMBm)	04A	05A	06A	9M 06A	9M 07A
Revenue	10,163.6	9,114.4	12,767.5	9,092.2	16,141.4
Costs of sales	(8,694.8)	(7,983.0)	(10,529.6)	(7,504.1)	(13,184.2)
Gross profit	1,468.8	1,131.4	2,237.9	1,588.1	2,957.1
Distribution costs	(334.6)	(427.4)	(649.9)	(463.7)	(778.3)
Administrative expenses	(529.8)	(498.0)	(638.7)	(468.1)	(604.7)
Other gains - net	153.3	88.5	372.6	347.7	114.2
Operating profit	757.7	294.5	1,321.9	1,004.1	1,688.4
Finance costs - net	(206.1)	(58.6)	(135.2)	(78.3)	(73.5)
Profit before tax	551.6	236.0	1,186.7	925.8	1,614.9
Tax	(190.0)	(112.4)	(406.8)	(312.1)	(541.0)
Profit after tax	361.7	123.6	779.9	613.7	1,073.9
Minority Interests	(60.3)	(45.7)	(141.4)	(90.2)	(242.4)
Net Profit	301.3	77.9	638.5	523.5	831.6

Source: Company data

Table 8: Turnover day analysis

Year to Dec (RMBm)	04A	05A	06A	9M 07A
Inventory turnover days	73	107	89	68
A/R turnover days	22	20	12	13
A/P turnover days	106	166	121	92
Cash conversion cycle	-11	-39	-20	-11

Source: Company data

Table 9: Margin analysis

Year to Dec (RMBm)	04A	05A	06A	9M 06A	9M 07A
Gross margin	14.5	12.4	17.5	17.5	18.3
Operating margin	7.5	3.2	10.4	11.0	10.5
Net margin	3.0	0.9	5.0	5.8	5.2

Source: Company data

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Uni-President China: market leading position

Recommendation: Not Rated | **China Consumer**

Price	**HK$6.71**	**IPO proceeds**	HK$2,427.5m
12 mth range	HK$3.97-6.76	**ROE (12/06A)**	5.8%
Market cap.	US$3,034.0m	**Net gearing (12/06A)**	46.4%
No. shares o/s	3,526.8m	**Net debt/sh. (12/06A)**	RMB0.39
Daily t/o, 3 mth	n.a.	**BV/sh. (12/06A)**	RMB0.84
Free float %	26.5%	**Consensus EPS**	
Major shareholder	Cayman President Hlgs – 73.5%	**- 12/07F**	>RMB0.116
Ticker	0220.HK/ 220 HK	**- 12/08F**	n.a.

Key points:

- A leading manufacturer of beverages and instant noodles in the PRC.
- "Uni-President" ("統一"), a well recognized brand.
- Ready to drink (RTD) tea is expected to be a future growth driver of top-line.
- Official noodle sponsor for the 2008 Beijing Olympics.

Company background. Uni-President China is a leading manufacturer of beverages and instant noodles in the PRC. The Group started operations in 1992 and is the subsidiary of the Uni-President Group (1216 TT), the largest food and beverage company in Taiwan and one of the largest in Asia. The Company currently manufactures and distributes over 300 products with the operation of 13 production plants and over 530 sales offices.

Market leader and strong brand recognition. "Uni-President" ("統一") is a well known brand in the food and beverage industry in the PRC. According to ACNielsen, in 2006, the Company was the largest manufacturer of juice drinks, the second largest manufacturer of RTD tea and the third largest manufacturer of instant noodles in the PRC. Since 2004, the Company's juice products have been awarded as "China Top Brand" by the General Administration of Quality Supervision, Inspection and Quarantine. The Company's "Green Tea" ("統一绿茶") products were designated as official products for the Xiamen Marathon in 2006 and 2007 and for the 2007 Asian Winter Games. Moreover, the Company is the official noodle sponsor of the 2008 Beijing Olympics.

Table 1: Turnover breakdown by business segments

Year to Dec (RMBm)	FY12/04A	FY12/05A	FY12/06A	1H FY12/06A	1H FY12/07A
Beverage	3,382.3	4,223.3	5,617.0	3,089.8	3,286.0
Juice drinks	*1,969.4*	*2,209.6*	*2,600.4*	*1,467.3*	*1,440.6*
RTD tea	*1,216.6*	*1,770.9*	*2,535.2*	*1,375.4*	*1,616.8*
Other	*196.3*	*242.8*	*481.4*	*247.1*	*228.6*
Instant noodle	2,290.5	2,290.9	2,211.5	1,064.4	1,139.5
Other	18.5	23.2	55.2	23.0	27.7
Total	**5,691.3**	**6,537.4**	**7,883.7**	**4,177.2**	**4,453.2**

Source: Company data

Beverage segment. The beverage industry in the PRC grew at a CAGR 12.9% between 2004 and 2006 to RMB47.2b in 2006 (ACNielsen). However, the beverage consumption per capita in the PRC remained quite low at 25.2 litres compared to other developed countries consumption, such as the U.S, whose reached 262.0 litres per capita over the same period (Euromonitor and EIU). As a result, the beverage industry has significant scope to grow. The Group sales from beverage segment increased 6.3% YoY to RMB3,286.0m and accounted for 73.8% of total revenue in 1H FY12/07A. Operating margin reached 11.1%, up by 4.0pcp YoY, mainly due to lower raw materials price. The main beverage products are the juice drinks and RTD tea.

- **Juice drinks.** According ACNielsen, juice drinks market represented 71.1% of overall juice market in 1-3Q of 2007, which grew at a CAGR of 12.5% [1]between 2004 and 2006 in the PRC. Group revenue decreased 1.8% to RMB1,440.6m and sales in volume slumped 4.1%, as a result of increasing net sales price, up 2.4% in 1H FY12/07A. Segment accounted for 32.4% of total revenue in 1H FY12/07A. The Company ranked number two as manufacturer of juice drinks in 1-3Q FY12/07A. The "More" ("鮮橙多") brand orange juice drinks has been

[1] Overall juice market comprises: juice drinks, nectars, 100% juice and other juice products.

the best selling juice drink brand in the PRC since 2004.

Table 2: Market share of top five juice drinks manufacturers by value

(%)	2004	2005	2006	1H 2007	1-3Q 2007
Uni-President	33.4	32.9	32.6	30.7	29.1
Coca-Cola	15.6	20.9	25.7	29.1	30.3
Ting Yi	19.7	18.9	18.0	18.1	18.0
Huiyuan	8.4	7.3	6.4	6.3	6.2
Yeshu	7.4	5.9	4.9	4.5	4.3
Total	**84.5**	**85.9**	**87.7**	**88.7**	**88.0**

Source: AC Nielsen

- **RTD tea.** RTD tea market in China grew at a CAGR of 32.2% between 2004 and 2006 in the PRC (ACNielsen). The Company's revenue surged 17.6% to RMB1,616.8m, as a result of increasing volume (12.2%) and rising net sales price (4.8%) in 1H FY12/07A. Segment accounted for 36.3% of total revenue in 1H FY12/07A, overtaking juice drinks as the largest contributor. RTD tea is expected to be the future main growth driver of the company, as 1) RTD tea segment in the PRC is growing faster than the other segments in the beverages business and 2) RTD tea margin has a higher average gross margin than juice products. The Company ranked number two in the manufacture of RTD tea in 1-3Q 2007.

Table 3: Market share of top five RTD tea manufacturers by value

(%)	2004	2005	2006	1H 2007	1-3Q 2007
Ting Yi	45.9	45.9	50.4	52.1	51.3
Uni-President	25.7	27.7	25.1	23.3	22.8
Wahaha	13.7	12.0	10.7	10.9	11.7
Coca-Cola	6.1	6.4	5.7	5.2	5.5
Suntory	2.2	1.8	1.5	1.5	1.5
Total	**93.6**	**93.8**	**93.5**	**93.0**	**92.8**

Source: AC Nielsen

Instant noodles segment. According to ACNielsen, the instant noodles market in China increased at a CAGR of 7.0% between 2004 and 2006 to RMB11.9b in 2006 and the Company ranked number three as manufacturer of instant noodles with 260 types of products. The industry is quite fragmented with keen competition, even after witnessing consolidation. Company revenue rose 7.1% to RMB1,139.5m, as a result of increasing sales volume, up 6.3% and a 0.9% increase in net sales price 1H FY12/07A. The segment accounted for 25.5% of total turnover and recorded an operating loss of RMB52.4m in 1H FY12/07A, mainly due to: 1) increasing raw materials, 2) decreasing average net sales price and 3) competition.

Table 4: Market share of top five instant noodles manufacturers by value

(%)	2004	2005	2006	1H 2007	1-3Q 2007
Ting Yi	31.4	30.9	33.5	38.7	38.9
Hualong	13.1	15.3	14.4	14.1	14.2
Uni-President	15.2	13.5	12.8	11.3	11.2
Bai Xiang	5.1	8.2	8.8	7.3	7.1
Fu Man Duo	9.0	7.5	6.3	6.5	6.6
Total	**73.7**	**75.4**	**75.7**	**77.8**	**78.0**

Source: AC Nielsen

Raw materials. In the production of beverages, raw materials (such as sugar, fruit juice concentrates, tea leaves, flavouring and water) and packaging materials (such as PET bottles, Tetra Pak) accounted for 21.1% and 56.7% of total cost of goods sold (COGS) in 1H FY12/07A, respectively. COGS of beverages decreased 2.5% in 1H FY12/07A, as a result of decreasing sugar and tea leaves prices and shifting to lighter packaging and to tea powder. In the production of instant noodles, raw materials (such as flour, palm oil, dehydrated vegetables, flavourings and spices) and packaging materials accounted for 57.4% and 27.2% in 1H FY12/07A, respectively. COGS of instant noodles increased 7.9% as a result of surging price of palm oil and flour.

Table 5: Gross margin

Year to Dec (%)	FY12/04A	FY12/05A	FY12/06A	1H FY12/06A	1H FY12/07A
Beverages	39.6	37.5	32.7	32.3	37.9
Instant noodles	21.7	24.4	21.4	21.4	20.8
Others	36.0	44.9	35.4	26.7	13.6
Total	**32.4**	**33.0**	**29.5**	**29.5**	**33.4**

Source: Company data

Future growth prospects. The Company plans to use HK$2,427.5m proceeds (Global offering HK$2,121.0m and over allotment option HK$306.5m) for the following:

- Approximately HK$846.3m for expanding the capacity of existing beverage production facilities in Guangzhou, Chengdu, kungshan and Xinjiang and the construction of a new beverage and instant noodle production facility in Beijing and Kunming;
- Approximately HK$687.3m for expanding and upgrading sales and distribution network and IT platform and on marketing and promotional activities;
- Approximately HK$854.3m for marking strategic investments in the PRC;
- Approximately HK$39.6m for working capital.

The Company is the official noodle sponsor for the 2008 Beijing Olympics and launched "Olympics Noodles" in 1H FY12/07A, which will be labelled as the official noodles of the PRC Olympics team. We expect some benefit from this exposure. Moreover, in April 2007, the Company introduced "Breakfast Noodles" product, which contains less oil and so is more healthy.

Corporate governance. Uni-President China was listed on Hong Kong Stock Exchange on 17 Dec 2007 at a price of HK$4.22 and appointed PricewaterhouseCoopers as its auditors. Uni-President Group holds 75.0% of the Group's shares.

Valuation. The counter is currently trading at HK$6.71, up from the IPO price of HK$4.22. According to prospectus, net profit is expected to reach at least RMB411.0m, up by 181.3% YoY in FY12/07F. As a consequence, EPS is expected to reach at least RMB0.116 (HK$0.124) in FY12/07F, which represents a FY12/07F P/E of 54.1x. With margin expansion and lesser loss from jointly controlled entities in 1H FY12/07A, the guidance might be conservative. As a result, the company valuation is undemanding comparing to its peers such as Mengniu (2319 HK) trading at a P/E of 39.8x FY12/07F and Tingyi (322 HK) trading at a P/E of 47.3x FY12/07F.

Table 6: P&L

Year to Dec (RMBm)	FY12/04A	FY12/05A	FY12/06A	1H FY12/06A	1H FY12/07A
Revenue	**5,691.2**	**6,537.4**	**7,883.7**	**4,177.2**	**4,453.2**
Cost of sales	(3,849.0)	(4,383.2)	(5,555.8)	(2,946.3)	(2,967.3)
Gross profit	**1,842.2**	**2,154.2**	**2,327.9**	**1,230.9**	**1,485.9**
Other gains/(losses) - net	2,4	3.7	(1.1)	9.6	4.1
Other income	49.2	32.4	68.8	27.8	17.1
Selling and marketing expenses	(1,447.1)	(1,636.7)	(1,849.0)	(960.6)	(1,081.5)
Administrative expenses	(218.5)	(249.6)	(280.8)	(141.6)	(118.5)
Operating profit	**228.2**	**304.0**	**265.8**	**166.1**	**307.1**
Finance costs - net	(6.5)	(7.4)	(19.4)	(8.8)	(4.8)
Share of losses of jointly controlled entities	(16.1)	(17.2)	(70.9)	(22.5)	(13.4)
Profit before tax	**205.6**	**279.4**	**175.5**	**134.8**	**288.9**
Income tax	(20.4)	(24.9)	(29.4)	(15.3)	(28.8)
Profit for the year	**185.2**	**254.5**	**146.1**	**119.5**	**260.1**
Dividends	12.0	27.7	0.0	0.0	0.0

Source: Company data

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COMPANY REPORT – SG

China Oilfield Tech: High-end provider of oil recovery

Recommendation: Not Rated | **Singpaore Energy Logistic**

Price	**S$0.835**	**IPO proceeds**	S$71.4m
12 mth range	S$0.60-1.36	**ROE (12/06A)**	48.1%
Market cap.	US$410.9m	**Net gearing (12/06A)**	16.4%
No. shares o/s	728.6m	**Net debt/sh. (12/06A)**	RMB0.06
Daily t/o, 3 mth	na	**BV/sh. (12/06A)**	RMB0.40
Free float %	58.25%	**Consensus EPS**	
Major shareholder	Gao Yanming – 41.74%	**- 12/07F**	na
Ticker	COT SP	**- 12/08F**	na

Key points:

- Major one-stop customized solutions provider of integrated tertiary oil recovery equipment and products in the Daqing oilfield region in China.
- Tertiary oil recovery: able to extract an additional 20-30% of oil in the reservoir.
- High market share with few competitors.
- Ability to command high gross profit margin of more than 60% for its enhanced oil recovery segment and environmental protection segment.
- Future plans to increase research efforts and production capacity, as well as market expansion into Changqing and Xinjiang oilfields.
- Chemical agents and ASP injection equipment will be the future revenue drivers.

Company background. China Oilfield Technology (COT) is a major one-stop customized solutions provider of integrated tertiary oil recovery equipment and products in the Daqing oilfield region in China. The company is principally engaged in the research, development, manufacture and sales of customized integrated equipment and products that are used in enhancing the extraction of crude oil. It focuses on the chemical flooding method of tertiary oil recovery and serves mainly China's oil extraction companies operating in the Daqing oilfield. The company's research and production facilities are located in Daqing city, Heilongjiang Province, and they have R&D facilities in Beijing as well.

Tertiary oil recovery: able to extract an additional 20% to 30% of oil in the reservoir. There are three main phases of oil recovery. Primary oil recovery uses natural pressure of the reservoir to push crude oil to the surface; it extracts about 5% to 10% of the oil in the reservoir. Secondary oil recovery injects pressurized gas and water to drive the residual crude oil and gas remaining after the primary oil recovery phase to the surface wells. This phase allows an additional 25% to 30% of the oil in the reservoir to be extracted. Tertiary oil recovery involves the injection of different materials to improve the flow between oil, gas and rock, to recover crude oil remaining after the primary and secondary oil recovery phases, which can be an additional 20% to 30% of the oil in the reservoir. COT focuses on the chemical flooding method of tertiary oil recovery, which is the injection of chemicals such as alkali or polymer into the oil reservoirs. The other methods are the miscible displacement method, which is the injection of carbon dioxide, inert gas or hydrocarbons, and the thermal recovery method which is the injection of steam or in-situ combustion.

Range of products. COT's products can be classified under three categories: Enhanced oil recovery products; environmental protection products; energy-saving and other equipment.

Table 1: Range of products

Enhanced Oil Recovery	Environmental Protection	Energy Saving and Others
Polymer injection equipment	ASP residual liquid treatment system	Integrated electrical control station
Alkaline-surfactant-polymer (ASP) injection equipment	Chemicals used with ASP residual liquid treatment system	Energy saving equipment for oil pumping units
		Customized pumps and parts

Source: Company data

High market share with few competitors. In Daqing oilfield region, COT commands a market share of about 50% for its polymer injection equipment, and about 70% market share for its ASP injection equipment. For its ASP residual liquid treatment system, the company enjoys 100% market share after winning a recent tender, as COT is able to meet the requirements for the system set by its customers. The company had in November this year developed chemical agents that are specifically formulated to be used in conjunction with the ASP residual liquid treatment system, and had started selling them late last month. If COT can ramp up adoption of this ASP residual liquid treatment method of tertiary oil recovery by its customers, it will be positive for the company as it would drive the recurring sales of chemical agents. In terms of competition, there are only a few companies providing integrated tertiary oil recovery equipment and technical services. COT's main competitor for polymer injection equipment is Daqing Long Di Petrochemical Technology Co., Ltd, and as for the ASP injection equipment, it's Daqing City Pu Luo Petroleum Technology Co., Ltd.

Competitive strengths that place COT at a good position.

- **Strong research and development capabilities:** COT had developed various patented equipment incorporating their proprietary technology for the tertiary oil recovery industry through their in-house research and development efforts. The company undertakes R&D based on their customers' requirements, and customize solutions that fill these needs. As of 31 May 2007, COT had 40 full-time R&D personnel, including mechanical, electrical and chemical engineering professionals.
- **Had established good customer relations:** COT had been providing services in the oilfield industry since 1995 and they believed that they are one of the major suppliers of integrated tertiary oil recovery equipment and technical solutions in Daqing oilfield region today. Through years of business relationship, COT had gained a good understanding of the oil extraction process and the various issues faced by the oil extraction companies, thus enabling COT to identify the local technological trends and needs of their customers.
- **Experienced management team:** COT's executive director Gao Yanming, has more than 20 years of management experience in the oil extraction and related industries. Executive director and Vice President (sales and marketing) Wu Fengwu, who joined COT in 2002, leads the sales and marketing development of the company. Executive Officer Hou Huaye, who heads the R&D activities, has more than 30 years of experience in the oil extraction industry and has extensive field experience as well.
- **Offer a customized "one-stop" service:** COT strive to ensure that their products are supported by sound technical knowledge and services offering comprehensive solutions to the specific requirements of their customers. They have an experienced team to assist from product design, production to providing operating instructions and after-sales support.
- **Strong commitment to and focus on product quality:** COT has obtained the ISO 9001:2000 and ISO/TS 29001 certification, as well as API Specification Q1 certification by the American Petroleum Institute for their deisgn, manufacture and service of equipment used for enhanced oil recovery including general drilling and production equipment and pumps.

Ability to command high gross profit margin of more than 60% for its enhanced oil recovery segment and environmental protection segment. Due to the high degree of customization for its products, COT is able to command high gross profit margins for its products. The gross profit margin for its enhanced oil recovery segment is more than 60% for the past few years, with the ASP injection equipment having a higher gross margin than the polymer injection equipment. Gross profit margins may vary slightly in different years as the degree of customization for the products sold may be different in each year. Gross profit margin for its environmental protection segment is also high, at more than 60%. With the sales of the chemical agents, the GPM for this segment is expected to be about 65%. Under the energy saving and others segment, which account for less than 10% of the company's revenue in the past 2 years, the gross profit margin is about 30-plus %.

Table 2: Gross profit margin

(%)	FY2004	FY2005	FY2006
Enhanced oil recovery	67.0	63.5	66.7
Environmental protection	58.3	61.6	63.0
Energy saving and others	43.5	39.3	32.3
Overall GPM	56.5	62.4	63.9

Source: Company data

Table 3: Revenue breakdown by segment

	FY2004		FY2005		FY2006	
	RMB '000	%	RMB '000	%	RMB '00	%
Enhanced oil recovery	18,858	38.0	65,514	94.3	122,151	81.8
Environmental protection	13,751	27.7	922	1.3	16,795	11.2
Energy saving and others	17,075	34.3	3,056	4.4	10,421	7.0
Total	**49,684**	**100.0**	**69,492**	**100.0**	**149,367**	**100.0**

Source: Company data

Seasonality – Bulk of the revenue recognized in 2nd half of the year. Generally, COT's customers start to place their sales orders in late February or March after the Chinese New Year holidays. As the time lag between the date of sales contract and the date of acceptance from customers is approximately 3 months for project-based assignments, a huge portion of their sales will be recognized in the second half of the year.

Table 4: Revenue breakdown for 1st and 2nd half of FY2004 to FY2006

	FY2004		FY2005		FY2006	
	RMB '000	%	RMB '000	%	RMB '00	%
First half	84	0.2	18,829	27.1	35,953	24.1
Second half	49,600	99.8	50,663	72.9	113,414	75.9
Total	**49,684**	**100.0**	**69,492**	**100.0**	**149,367**	**100.0**

Source: Company data

Future plans. COT intends to increase their research efforts in the field of ASP flooding techniques and technology, to further enhance their current ASP related products. The company will hire more R&D staff and may also engage external consultants from time to time to supplement their in-house research. In order to meet the increasing demand for their products, COT aims to expand their production facility through the construction of Dafeng Industrial Park and is now in the process of completing Phase 1 of the industrial park, which consists of 8 production plants. The company expects their production capacity to be twice of the production capacity in FY2006 (which was 153,000 hrs) by 1Q2008. The management intends to expand their business to other regions in China such as the western or north-western regions, where Changqing oilfield and Xinjiang oilfield are located. The management also plans to focus more on overseas market, entering into oil concession contracts when the opportunities arise. COT may also conduct market research, expand their sales force and establish sales representative offices to facilitate the expansion of their sales and marketing network.

Revenue drivers. COT's new and recurring source of earnings comes from the sale of the chemical agents that are used with the ASP residual liquid treatment system. The company started selling these chemical agents in late December 2007, and sales volume is expected to grow in 2008. Another revenue driver will come from increased demand for its ASP injection equipment and residual treatment systems, which command higher margins. The company is negotiating new deals involving its polymer and ASP injection equipment with other China oilfields such as Xinjiang, which if concluded, will boost its revenue.

Strong 3Q 2007 results. COT reported their 3Q FY12/07 revenue at RMB82.8m and net profit of RMB43.1m, an increase of 96% and 80% YoY respectively. The increase in revenue was mainly attributable to the increased sale of products under the enhanced oil recovery segment and the environmental protection segment, offset by the decreased sale of products under the energy saving and others segment. Gross profit margin for this quarter rose from 64.0% to 69.5%, thanks to the sale more high profit margins products such as ASP injection equipment, and a reduction in direct material costs as a result of more efficient product designs.

Favorable industry prospects that will spur the growth of COT. China is currently the second largest energy consumer in the world, and the country is a net importer of oil as domestic oil production is unable to meet the strong demand. Given the limited supply of crude oil and the depletion of existing oil wells, the PRC government and oil production companies are increasingly aware of the importance of prolonging the production life of mature oilfields and sustaining a continuous supply of oil. Enhanced technology is thus needed to maximize the recovery of crude oil from existing wells and extend the production life of the oilfields. COT's major customer, Daqing Oilfield Co., Ltd, had in April 2007 announced its plan to extend the use of tertiary oil recovery technique in more than 80% of its oil extraction sites in the Daqing oilfield region in the next 15 to 20 years. Currently, only 10% of the total oil wells in Daqing is using the tertiary oil recovery method. Hence there is still plenty of opportunities for COT in the Daqing region. Oilfields in other regions of China, such as Shengli, Changqing and Xinjiang, are also approaching maturity, and these are new markets that COT can move into.

Valuation. The counter is currently trading at a historical P/E of 25.2x. The current share price of S$0.81 represents a premium of 35% from its IPO price. We believe that the performance of the stock is due to the promising and specialized business that the company is in. We are positive on the growth outlook of COT, given the favorable industry prospects such as high oil prices, PRC government's plan to increase oil reserves and the growing number of mature oilfields in China.

Table 5: P&L

Year to Dec (RMB '000)	2004A	2005A	2006A	9M06A	9M07A
Revenue	49,684	69,492	149,367	78,154	117,135
Cost of sales	(21,605)	(26,152)	(53,924)	(31,187)	(37,772)
Gross profit	28,079	43,340	95,443	46,967	79,363
Other income	410	844	14,742	983	658
Selling and distribution expenses	(1,685)	(1,977)	(3,635)	(2,397)	(3,843)
Administrative expenses	(5,591)	(7,510)	(7,972)	(5,664)	(14,218)
Other operating expenses	(3,531)	(3,202)	(605)	(1,451)	(2,041)
Profit from operations	17,682	31,495	97,973	38,438	59,919
Finance costs	-	(11)	(55)	-	(2,382)
Profit before tax	**17,682**	**31,484**	**97,918**	**38,438**	**57,537**
Tax	-	(333)	(199)	(532)	-
Profit after tax	**17,682**	**31,151**	**97,719**	**37,906**	**57,537**
Minority interests	-	(3,005)	117	117	-
Profit attributable to shareholders	**17,682**	**28,146**	**97,836**	**38,023**	**57,537**
% chg	-	*59.2*	*247.6*	-	*51.8*

Source: Company data

Table 6: Manufacturing capacity and utilisation rates

	FY2004	FY2005	FY2006
Annual estimated actual production hours (hours)	43,017	94,242	149,638
Annual production capacity (hours)	50,000	102,000	153,000
Utilisation rate (%)	86.0	92.4	97.8

Source: Company data

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CMZ: Little Parts, Big Ideas

Recommendation: BUY (unchanged) | Singapore Industrials

Price	**S$0.24**	**IPO proceeds**	S$17.5m
12 mth range	S$0.195-0.425	**ROE (12/06A)**	57.0%
Market cap.	US$50.6m	**Net gearing (12/06A)**	Cash
No. shares o/s	304.65m	**Net debt/sh. (12/06A)**	-
Daily t/o, 3 mth	<US$0.8m	**BV/sh. (12/06A)**	RMB0.275
Free float %	25%	**Consensus EPS**	
Major shareholder	Allied Sincere – 63.5%	**- 12/07F**	RMB0.168
Ticker	CMZ SP	**- 12/08F**	RMB0.185

Key points:

- Entrenched in an industry with no replacement product.
- Capitalizes on China's low manufacturing costs to enhance competitiveness.
- Targets the mid to high-end segment of the fashion apparel market.
- Moving up the value chain to produce luxury-end zippers.
- One of designated suppliers to international brands such as Calvin Klein, etc .
- The stock is now trading at a compelling valuation of 6.5x FY08 P/E and 5.6x FY09 P/E.

Corporate profile. The company produces and sells zippers to the mid to high-end of the garment industry. Its products are sown primarily on garments and bags, with customers including major manufacturers and distributors in the Yangtze River Delta and Pearl River Delta, who sell their finished goods in China and other countries in Europe, the US, Asia and the Middle East. The company's production facilities, located in Yixing, Jiangsu, have a current annual production capacity of 221m zippers.

Investment Case

We have a BUY call on CMZ Holdings (CMZ) and 12-month price target of S$0.37, which represents an upside potential of 54%. Our TP is based on a target multiple of 10x FY12/08 EPS, which we feel is reasonable in view of its robust earnings growth outlook.

We like CMZ for three primary reasons:

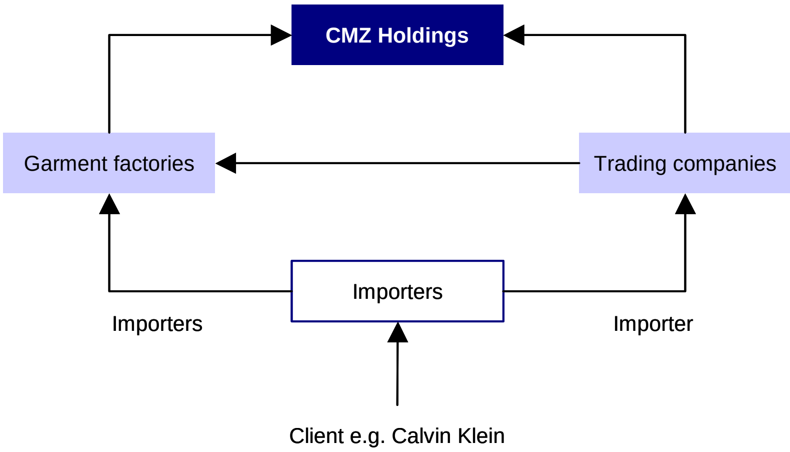
1) No replacement product for zippers. The application of zippers has been increasing and there are currently no replacement products. Based on near term trends, it appears that the sector's future technological development will focus on (i) improvement of production techniques and equipment; (ii) appearance innovation; (iii) use of new materials and new technologies to expand the application scope (medical, waterproof and flame-resistant zippers). The upgrading and regeneration of products in the high-end segment is constant, with precise metal zippers currently replacing normal metal products and representing about 10% of the output (about 60% the production value).

2) Focus on the mid to high-end market. All of the company's zippers are customized. Almost 90% are used by the garment industry and exported to the US, Japan, Europe and other international markets, which are willing to pay a premium for quality zippers. Even so, its average selling price is only about 35% of Japan's YKK and 15% of Riri Group.

3) Strong brand equity. For the last two consecutive years, its "Chima" brand was named one of China's top 10 zipper brands. Its products are sold directly to manufacturers of domestic brands such as Bosideng, Yalu, Tanboer, Rouse and Peacebird. It is also one of designated zipper suppliers (usually two to four per brand) to international labels such as Calvin Klein, etc. According to management, the direct sales segment accounts for about 40% of its total sales.

Competitive Advantage

Figure 1: Unique Sales Model



Source: SBI E2-Capital, Company data

Selected pre-qualified suppliers. One of CMZ's key strategies is to secure source clients as it helps to ensure better margins. In May 2007, Tchibo chose CMZ's wholly-owned subsidiary, CMZ Zippers (Wuxi) Co. Ltd, and three other China-based zipper manufacturers as its designated zipper suppliers.

Germany-based Tchibo is one of the top garment retailers operating more than 1,200 concept retail stores in Europe. Its garment manufacturers are allowed to purchase zippers only from designated suppliers. The deal will likely improve CMZ's competitive standing as competition is limited to the few pre-approved suppliers (usually two to four per brand).

Growth strategies

1) Increasing production capacity. The company plans to acquire additional equipment and modernize its dyeing workshop. The new machinery, estimated to cost about RMB21.8m (or S$4.3m) includes (i) sewing and ironing machines for the production of tapes and meshbelts; (ii) stitching, ironing and cutting machines for the production of nylon zippers; (iii) casting, ironing and teeth-arranging machines for the production of resin zippers; (iv) cutting, teeth-arranging, ironing and waxing machines for the production of metal zippers; (v) dyeing machines; (vi) casting machines for the production of sliders and pullers and (vii) moulds.

Table 1: Production capacity

Products ('000 pieces)	FY04	FY05	FY06	FY07	FY08
Metal zipper	34,560	48,960	65,712	85,820	120,148
Resin zipper	32,856	39,888	46,776	56,931	78,619
Nylon zipper	72,662	87,130	108,211	145,044	198,764
Others	2,304	2,304	2,304	2,304	2,304
Total	**142,382**	**178,282**	**223,003**	**290,099**	**399,835**
YoY growth (%)		*25.2*	*25.1*	*30.1*	*37.8*

Source: Company data

The expansion will be carried out in stages and is expected to increase the company's production capacity to about 400m pieces per annum in 1H FY12/08, from the current 221m. Since October 2007, a section of the new plant and building was completed with new machinery already put in place, hence boosting the company's capacity by about 30% YoY. Upon full completion in March 2008, CMZ's total capacity will increase by another 38%.

2) Expanding sales and distribution network. To date, CMZ has 10 sales offices in China with a sales team of 60. It had recently opened an overseas office in Hong Kong and plans to set up another one in United States, most likely in California, (by 2008) which will then expand its sales team to about 80. It also intends to raise its brand awareness by attending domestic and foreign trade fairs, and through advertising and promotions. The company has allocated almost S$1.0m of the net IPO proceeds for expansion of the company's sales and marketing network.

3) Strengthening R&D capabilities. We believe its R&D provides CMZ with a competitive edge. Mr. Wang Xiaoping, who has spent more than 20 years in the zipper industry, heads the team, which aims to introduce innovative products and ensure they conform to markets trends and customers' needs. He is supported by a team of six, all with an average of four years experience.

As a testimony of its strong R&D capabilities, CMZ has recently announced that it has successfully developed two new products: 1) zippers for high to luxury-end clothing, 2) permanent, transparent anti-corrosion zipper coating. The company believes it is one of the few China manufacturers that possess the basic know-how to produce these types of zippers. The company will be the first manufacturer, according to its management, to advance into commercial production, thus gaining a first-mover advantage over competitors.

Financials

Table 2: Revenue breakdown

Year to Dec (RMBm)	FY04A	FY05A	FY06A	FY07F	FY08F	FY09F
Revenue						
Metal zipper	27.5	45.7	77.1	102.2	148.3	177.9
Resin zipper	23.4	25.0	31.7	37.2	48.9	56.4
Nylon zipper	32.2	35.9	44.9	57.2	78.1	89.9
Others	6.5	5.9	6.0	6.0	6.1	6.2
Total	**89.6**	**112.6**	**159.3**	**202.6**	**281.3**	**330.3**
YoY growth (%)		*25.6*	*41.5*	*27.2*	*38.8*	*17.4*
No. of customers	1,033	2,109	2,305	-	-	-
YoY growth (%)		*104.2*	*9.3*	*n.a*	*n.a*	*n.a*

Source: Company data and SBI E2-Capital

Table 3: P&L statement

Year to Dec (RMBm)	FY05A	FY06A	FY07F	FY08F	FY09F
Revenue	112.6	159.3	202.6	281.3	330.3
COGS	(70.5)	(102.3)	(128.4)	(175.9)	(208.3)
Gross profit	42.1	57.0	74.2	105.4	122.0
Selling & distribution expenses	(5.3)	(6.0)	(10.9)	(14.3)	(16.5)
Administrative expenses	(9.6)	(12.4)	(19.2)	(25.3)	(28.9)
Other operating expenses	(1.9)	(0.4)	(0.8)	(1.1)	(1.2)
Profit from operations	26.0	38.7	43.9	65.3	76.1
Finance expenses, net	(0.6)	(0.7)	0.9	1.2	1.3
Profit before tax	25.4	38.0	44.8	66.5	77.4
Income tax	(8.4)	0	0	(10.0)	(11.6)
Net profit	**17.0**	**38.0**	**44.8**	**56.5**	**65.8**
Gross margin (%)	*37.4*	*35.8*	*36.6*	*37.5*	*36.9*
Operating margin (%)	*23.1*	*24.3*	*21.6*	*23.2*	*23.0*
Net margin (%)	***15.1***	***23.9***	***22.1***	***20.1***	***19.9***

Source: Company data and SBI E2-Capital

Key Risks

Rising raw material costs (copper, zinc, alloy, POM). The company said average prices of its raw materials have increased 10-20% from 4Q FY12/06 and it expects another 5-10% increase in the next twelve months. Based on its past marketing experience, CMZ does not foresee any difficulties in revising its average selling prices in response, with a certain time lag. To past on the extra costs

Dependence on downstream industries. Since zippers are not final products, the Group's financial results are affected by the level of business activity of its customers in the garment and bag industries, who in turn adepend on: (a) economic growth and corresponding increases in consumers' purchasing power; and (b) population growth and increase in consumer demand. Any downturn in both industries will undermine demand and affect CMZ's business and financial performance.

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Sunmart: Capacity driven FY08

Recommendation: BUY (unchanged) | **Singpaore Manufacturing/Consumer**

Price	**S$0.165**	**IPO proceeds**	S$4.4m
12 mth range	S$0.16-0.305	**ROE (12/06A)**	54.3%
Market cap.	US$46.0m	**Net gearing (12/06A)**	Cash
No. shares o/s	402.0m	**Net debt/sh. (12/06A)**	N.A
Daily t/o, 3 mth	US$0.16m	**BV/sh. (12/06A)**	S$0.03
Free float %	25.4%	**Consensus EPS**	
Major shareholder	Top Items – 69.7%	**- 12/07F**	S$0.034
Ticker	SUNM SP	**- 12/08F**	S$0.037

Key points:

- Manufacturer of spray products utilized in comsmetic & toiletries packaging
- Poised to benefit from the promising industry backdrop.
- End products used in internationally recognized cosmetic brands.
- Foray into medical and pharmaceutical packaging planned.
- 50% capacity expansion in FY12/08 to boost net profit by 30.0%.

Company background. China-based Sunmart Holdings is principally engaged in the production and sale of a wide range of spray products comprising primarily spray pumps, aluminium cans and plastic bottles, which are used in the packaging of: 1) fast-moving consumer products such as cosmetics, 2) pharmaceutical products, and 3) health-supplements. The company has two subsidiaries in Jiangyin City, Sunmart Plastic and Sunmart Tech, with production facilities located in Jiangyin city, Jiangsu province. Sunmart Tech produces aluminium cans, plastic bottles and spray pumps mainly for perfumes and pharmaceutical products and Sunmart Plastic for toiletries and personal care products.

International cosmetic brands. Sunmart's overseas customers include Alberto-Culver (U.K), Health Tech and Arminak & Associates. Its spray pumps can be found in the cosmetics and toiletries product of renowned international brands such as Avon, Chanel, L'Oreal and Shiseido. We see this as a testament to Sunmart's product quality.

Emerging markets drive growth. According to Euromonitor, the global sales value of cosmetics and toiletries grew 5.5% YoY in 2006, including a 10.8% in China. Euromonitor forecasts that by 2011, the Asia Pacific cosmetics and toiletries market will equal that of Western Europe in value sales, thanks in large part to the phenomenal growth of the Chinese market.

China's cosmetics and toiletries market. China is becoming one of the most important markets for premium cosmetics, breaking into the global top 10 in 2004, with value sales totaling US$1.3b (RMB10.5b) in 2006, according to Euromonitor. It is also among the world's five fastest growing cosmetics markets, thanks to its fast-modernising retail environment (department stores and specialist retailers such as Herborist, Sasa and Sephora). Colour cosmetics and fragrances are significant premium cosmetics sectors, generating almost US$150m (RMB1.2b) each in 2005. With sales set to rise by more than 10% a year to 2010 to US$17b (RMB139.8b), China will among main growth engines propelling the cosmetics and toiletries industry ahead.

Table 1: Sales by geographical region

(RMB'000)	FY04	FY05	FY06
PRC	52,157	69,459	93,505
Overseas			
Asia Pacific	28,432	36,028	69,066
Europe	11,140	22,786	41,656
North & South America	29,281	38,193	25,667
Africa	11,604	13,946	6,782
Overseas subtotal	80,457	110,954	143,172
Total	**132,614**	**180,413**	**236,677**

Source: Company

Positioned to benefit from burgeoning industry. Sunmart is among the market leaders in the manufacturing of spray pumps in China (named the country's largest spray pump maker by the China Packaging Federation in 2005). This gives it benefits of economies of scale and low unit costs, as well as power to negotiate more favourable terms with suppliers. Sunmart's aluminium cans are mainly used in the pharmaceutical and healthcare industries as packaging for medicated products and disinfectants. Its PE, PP and PET plastic bottles are mainly used in the fast-moving consumer goods such as hair products, handwash liquids, facial wash, disinfectants, detergents and eye liquid bottles.

Capacity expansion in FY12/08 to drive growth. We have modeled in a 54% and 33% increase in production capacity for FY12/08 and FY12/09, respectively. In our opinion, the business model can be easily scaled up. Based on the schedule, we have assumed a nine months contribution from the new capacity in FY12/08, which should be its key growth driver, while its average selling prices (ASPs) should stay fairly stable. On the margin front, we have a assumed a slight decline, with the gross margins at 29.7% in FY12/08 from 31.2% in FY12/07. As some of Sunmart's products are used in higher-end cosmetics and toiletries that command premium retail prices, and spray pumps make up only a small fraction of packaging costs, Sunmart has high chances of passing on cost hikes to customers.

Table 2: Production capacity and utilization rates

	FY05		FY06		FY07F		FY08F	
	Prod'n Cap. (Mil units)	Utilizat'n (%)	Prod'n Cap. (Mil units)	Utilizat'n (%)	Prod'n Cap. (Mil units)	Utilizat'n (%)	Prod'n Cap. (Mil units)	Utilizat'n (%)
Spray pumps								
Crimp-on	300	81.0	480	79.0	520	85.0	800.0	80.0
Screw-on pumps	150	80.0	190	79.0	200	83.0	350	80.0
Others	45	77.0	50	79.0	60	81.0	80	81.0
Others*	130	88.0	130	76.0	130	82.0	170	80.0
Total	**625**		**850**		**910**		**1400**	

Source: Company, SBI E2-Capital

Targeting medical and pharmaceutical packaging. The company plans to focus on developing its medical and pharmaceutical markets to take advantage of the Chinese government's measures to improve the country's healthcare system and impose more stringent standards. It currently has secured four licenses from the State Food and Drug Administration and is applying for another two. We believe this is a step in the right direction as the sector's barriers to entry are higher (evident from the stringent permit requirements such as clean room facilities), enabling Sunmart to reap better margins. Management indicates that initial estimates for gross margins are about 40%.

Share performance dulled. Sunmart's share price have fallen 15.4% since our initiation in late Nov 07. It is trading at 4.8x FY07 and 4.5x FY08 earnings estimate. The stock is trading under water from its listing price of S$0.25.

We believe there are various reasons attributable to the counter's dismal share price performance. 1) Sunmart was not spared from the market selldown that hit Singapore during the last quarter of the 2007. Industry comparables average forward P/E has slipped to 7.6x from 8.0x. 2) Trading volume for the counter trickles at a daily average turnover of S$0.31m (excluding first day trading), which can prove some difficulty in attracting institutional interests. 3) Coverage is somewhat lacking for this counter as we are the only house who has initiated coverage thus far.

Our view: We believe the market perceives Sunmart's products as somewhat commoditized, with low barriers to entry. We are not disputing the point. However, we like to highlight Sunmart's market leadership positioning helps in this type of business environment. In this field of playing the capacity game, Sunmart has raised its stakes in expanding its production capacity. The main concern hinges upon the company's ability to sustain its margins, which we believe will be helped by increasing penetration into the pharmaceutical packaging sector.

Table 3: Margins analysis

Year- end Dec (%)	05A	06A	07A	08F	09F
Gross	21.5	30.9	31.2	29.7	27.0
Operating	16.5	23.4	22.7	22.6	20.1
Net	13.4	20.3	21.1	18.6	16.5

Source: Company, SBI E2-Capital

Table 4: Turnover day analysis

Year to Dec (RMBm)	05A	06A	07F	08F
Inventory turnover days	35	33	29	26
A/R turnover days	56	61	66	66
A/P turnover days	87	101	87	79
Cash conversion cycle	4	-7	8	14

Source: Company, SBI E2-Capital

Table 5: P&L

Year to Dec (RMB'm)	05A	06A	07A	08F	09F
Revenue	180.4	236.7	271.4	400.1	506.7
Costs of sales	(141.6)	(163.5)	(186.6)	(281.3)	(369.9)
Gross profit	38.8	73.2	84.7	118.8	136.8
Distribution costs	(3.1)	(4.5)	(5.1)	(7.0)	(8.4)
Administrative expenses	(6.4)	(13.0)	(17.6)	(21.0)	(26.4)
Other gains/loss - net	0.5	(0.5)	(0.3)	(0.3)	(0.3)
Operating profit	29.8	55.3	61.7	90.5	101.8
Finance costs - net	(1.8)	(3.6)	(4.1)	(4.8)	(5.8)
Profit before tax	28.0	51.7	57.6	85.7	96.0
Tax	(3.1)	(3.7)	(0.4)	(11.1)	(12.5)
Profit after tax	24.2	48.0	57.2	74.5	83.5
Minority Interests	-	-	-	-	-
Net Profit	24.2	48.0	57.2	74.5	83.5

Source: Company, SBI E2-Capital

Disclosure of interests: SBI E2-Capital Asia is the underwriter and placement agent for the Initial Public Offering of Sunmart Holdings Ltd.

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Appendix 1: Listed IPOs in 2H 2007

Hong Kong

Company name	Ticker	Sector	Market Cap (US$m)	IPO price (HK$)	Share price* (HK$)
Walker Group	1386 HK	Retail/F&B	310.0	3.86	3.89
Ta Yang Group	1991 HK	Industrial	180.2	3.50	1.76
Tianneng Power	819 HK	Industrial	201.0	1.92	1.57
The United Laboratories Intl.	3933 HK	Pharmaceutical	666.6	2.75	4.34
Sunny Optical Tech	2382 HK	Industrial	377.6	3.82	2.95
RREEF China Commercial Trust	625 HK	Property	223.2	5.15	3.60
Ka Shui Intl.	822 HK	Resources	68.7	1.35	0.61
Tao Heung	573 HK	Retail/F&B	354.5	3.18	2.73
KWG Property	1813 HK	Property	3,247.0	7.28	9.78
China High Speed Transmission Equipment	658 HK	Construction	3,027.8	7.08	19.00
Centron Telecom Intl.	1155 HK	Telecoms	189.1	3.55	2.11
Stella Intl.	1836 HK	Retail/F&B	1,760.9	15.50	17.00
Delta Networks Inc.	722 HK	Telecoms	406.6	4.50	2.69
ANTA Sports Products	2020 HK	Retail/F&B	3,754.5	5.28	11.78
Regent Manner Intl.	1997 HK	EMS	208.6	1.68	1.63
Vinda Intl.	3331 HK	Industrial	531.0	3.68	4.59
China Automation Group	569 HK	Infrastructure	313.4	1.53	2.95
New World Department Store China	825 HK	Retail/F&B	2,313.7	5.80	10.72
Times Ltd	1832 HK	Retail/F&B	419.5	4.18	3.75
Fosun Intl.	656 HK	Conglomerate	6,138.8	9.23	7.45
HSBC China Dragon Fund	820 HK	Finance	511.3	10.00	10.74
Tiangong Intl.	826 HK	Resources	326.5	6.36	6.08
Franshion Properties	817 HK	Property	2,516.6	2.35	4.00
Tech Pro Technology Development	3823 HK	Industrial	38.4	1.30	0.50
Global Sweeteners	3889 HK	Agriculture	242.1	2.04	1.81
Hidili Industry Intl. Development	1393 HK	Resources	3,164.2	6.83	12.00
China Starch	3838 HK	Retail/ F&B	235.4	2.22	3.52
Sino-Ocean Land	3377 HK	Property	5,138.6	7.70	8.97
Qunxing Paper	3868 HK	Industrial	550.5	5.35	3.94
DaChan Food (Asia)	3999 HK	Retail/ F&B	375.2	2.90	2.90
SOHO China	410 HK	Property	5,224.0	8.30	7.80
China Aoyuan Property Group	3883 HK	Property	1,101.4	5.20	3.82
Kingsoft Corp.	3888 HK	Telecoms	526.6	3.60	3.88
China Dongxiang	3818 HK	Retail/ F&B	4,541.7	3.98	6.25
Bosideng Intl.	3998 HK	Retail/ F&B	2,732.1	3.28	2.67
Xinjiang Xinxin Mining Industry	3833 HK	Resources	2,615.9	6.50	9.21
International Elite	8313 HK	Services	183.3	1.36	1.57
Dah Chong Hong	1828 HK	Conglomerate	781.1	5.88	3.39
Ming Fai Intl.	3828 HK	Retail/ F&B	159.0	2.98	2.07
Net Dragon Websoft	8288 HK	Internet	1,113.5	13.18	15.64
Alibaba.com	1688 HK	Telecoms	16,781.9	13.50	25.95
GCL-Poly Energy	3800 HK	Industrial	423.9	4.10	3.42
Zhong An Real Estate	672 HK	Property	1,154.6	6.67	4.51
Rainbow Brothers	33 HK	Retail/ F&B	33.3	1.50	1.30
Value Partners Group	806 HK	Finance	1,499.1	7.63	7.32
Sinotrans Shipping	368 HK	Infrastructure	3,051.5	8.18	5.96
Sinotruk (HK)	3808 HK	Transportation	3,389.5	12.88	11.00
China Railway Group	390 HK	Construction	35,342.3	5.78	11.60
Dongyue	189 HK	Industrial	535.1	2.16	2.01
China Sunshine Paper	2002 HK	Industrial	312.3	6.00	6.10
Anton Oilfield Services Group	3337 HK	Energy Logistic	584.8	1.88	2.21
Uni-President China	220 HK	Retail/ F&B	2,930.0	4.22	6.71
Pacific Online	543 HK	Internet	358.7	3.30	2.84
China National Materials Company	1893 HK	Construction	5,430.9	4.50	11.88
Vietnam Manufacturing and Export Processing	422 HK	Automobile	363.7	3.75	3.13
BYD Electronic (Int'l)	285 HK	Industrial	3,491.8	10.75	12.40
Pan Asia Environmental Protection Group	556 HK	Industrial	297.0	2.80	2.90
Eyang Holdings	117 HK	Industrial	66.6	1.30	1.30
Xingye Copper Int'l	505 HK	Resources	252.7	1.70	3.29

** All prices are as of market close of 7 Jan, 2008*

Singapore

Company name	Ticker	Sector	Market Cap (US$m)	IPO price (S$)	Share price * (S$)
Sin Ghee Huat	SGH SP	Resources	70.4	0.33	0.46
China XLX	CXLX SP	Agriculture	744.8	0.77	1.18
Cosmo Steel	CSMS SP	Resources	49.8	0.26	0.40
China Sunsine	CSSC SP	Chemicals	108.5	0.39	0.30
R H Energy	RHE SP	Resources	98.3	0.32	0.50
Financial One	FIN SP	Finance	481.2	1.15	0.80
China Angel	CANG SP	Retail/F&B	101.5	0.35	0.43
CMZ	CMZ SP	Industrials	50.6	0.23	0.24
China Sports	CSPORT SP	Consumers	408.9	0.80	1.74
Wanxiang	WANX SP	Consumers	47.3	0.29	0.25
Avi-Tech	AVIT SP	Technology	91.8	0.33	0.37
MAP Tech	MAP SP	Technology	73.8	0.32	0.35
Yong Xin	YXI SP	Resources	42.5	0.30	0.30
Reyphon Agriceutical	REY SP	Agriculture	43.3	0.39	0.19
Ascendas India Trust	AIT SP	REIT	658.3	1.18	1.26
Dutech	DTECH SP	Industrials	64.5	0.33	0.30
Fujian Zhenyun Plastics Ind	FZPI SP	Plastics	42.8	0.62	0.57
China Hongcheng	CHC SP	Retail/F&B	61.0	0.50	0.34
ETLA	ETLA SP	Industrials	36.4	0.47	0.38
Sunmart	SUNM SP	Consumers	46.0	0.25	0.17
Uni-Asia Finance Corp	UNIAF SP	Finance	190.1	0.55	1.07
Parkway Life REIT	PREIT SP	REIT	464.8	1.28	1.13
Fuxing China Grp	FUXC SP	Retail/F&B	278.9	0.46	0.48
Sinostar Pec	SSTAR SP	Chemicals	234.0	0.38	0.56
Mermaid Maritime	MMT SP	Energy Logistic	679.6	1.56	1.76
China Oilfield Tech	COT SP	Energy Logistic	410.9	0.60	0.84
Rokko Holdings	RKKO SP	EMS	19.7	0.25	0.19
ARA Asset Management	ARA SP	Finance	385.6	1.15	0.93
Marco Polo Marine	MPM SP	Marine	58.2	0.28	0.34
Cacola Furniture Intl	CCF SP	Industrials	94.0	0.32	0.44
Changtian Plastic & Chemical	CPC SP	Industrials	186.7	0.47	0.43
Saizen Real Estate Investment Trust	SZREIT SP	REIT	268.6	1.00	0.87
Sinotel Tech	STEL SP	Telecoms	81.1	0.51	0.42
China New Town Development	CNTD SP	Property	546.2	0.83	0.57
Lippo-Mapletree Indonesia Retail Trust	LMRT SP	REIT	475.6	0.80	0.65
Z-Obee	ZBEE SP	Telecoms	72.1	0.34	0.21
Dynamic Colours	DYMC SP	Chemicals	24.6	0.22	0.17
Chunghong Holdings	CHH SP	Industrials	37.9	0.37	0.25
Hyflux Water Trust	HYFT SP	Resources	168.7	0.78	0.78
First Resources	FR SP	Agriculture	1205.8	1.10	1.60
Soon Lian	SLIAN SP	Industrials	14.5	0.21	0.21
KTL Global	KTLG SP	Energy Logistic	44.2	0.28	0.67
Mercator Lines (Singapore)	MRLN SP	Shipping	550.0	0.76	0.67
United Overseas Australia	UOA SP	Property	200.5	0.38	0.37
JES International	JES SP	Shipping	572.3	0.67	0.75

** All prices are as of market close of 7 Jan, 2008*

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