

UBS Investment Research

Hong Kong Market Strategy



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Revisiting 2008E HSI fair value

■ 2008E EPS downgrades continued and momentum is accelerating

The pre-exceptional 2008E EPS of our 82-stock Hong Kong universe has fallen 12.92% since its peak in September 2007 largely due to the 42%/25%/20% downgrade in the 2008E pre-exceptional EPS of HKEx, HSBC and SHKP. Despite the apparent in-line and better-than-expected results announcements in the past two months, we are witnessing increasing momentum in earnings downgrades.

■ China earnings growth momentum also falling

In our 97-stock China universe, our pre-exceptional EPS has fallen just 5% from its peak in December 2007. We have significantly lowered our IPPs' 2008E EPS, but our bullish stance on China Mobile (12% and 17% higher than consensus in 2008E and 2009E EPS) helped prevent a large fall in overall 2008E EPS.

■ 2008E earnings yield gap model-derived index fair value is now 26,800

The HSI 2008E pre-exceptional earnings integer has fallen 6.4% since its peak at the end 2007. Given the rise in credit spreads we turn more conservative and assume a normalisation of the HK\$ risk premium to 130bp over the 10-year US Treasury yield. Our latest earnings yield gap-derived Hang Seng Index 2008E fair value is 26,800, implying a 17.8x pre-exceptional PE.

■ Adding Sino Land and Dah Sing Bank to our model portfolio

After the recent correction in share prices, we see value in Sino Land and Dah Sing Bank and have added them to our MSCI Hong Kong benchmarked model portfolio.

This report has been prepared by UBS Securities Asia Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 21.

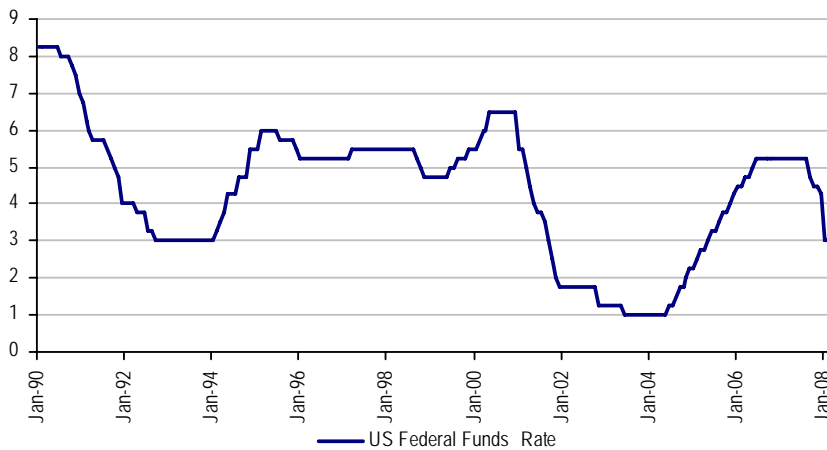
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Revisiting 2008E HSI fair value

From bad to worse

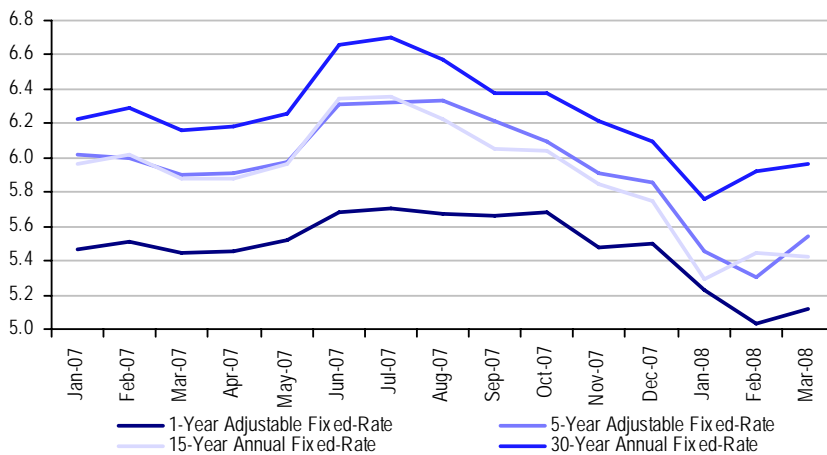
Since our last downgrade of 2008 Hang Seng Index fair value from 32,000 to 28,500 back in January, the Federal Reserve Bank has aggressively stepped up its efforts to stabilise the global financial markets, leading to the takeover of Bear Stearns by J P Morgan and further cuts in interest rates, pumping liquidity into the banking system. It is interesting to note the pace of the Fed Funds Rate cut is even more drastic than during the early 1990s recession and similar to the pace we saw in 2000 when the TMT bubble burst. The significant cut in rates, in our view, indicates the severity of the economic/housing market problem in the US. However, we believe investors should be well aware that despite the lower cost of capital from the falling Fed Funds Rate, the lending appetite of banks remains depressed, as according to FreddieMac, US mortgage rates have edged up since early 2008, indicating a lack of appetite for loans from lenders despite the lower cost of capital. It may also indicate the Fed Funds Rate is near its trough in this rate cut cycle (UBS expects 75bp cut to the cycle bottom of 1.5% by August 2008).

Chart 1: Pace of Fed Funds Rate cut similar to 2000 when TMT bubble burst



Source: Datastream

Chart 2: US mortgage rates edging higher in early 2008 despite falling Fed Funds Rate



Source: FreddieMac

Moreover, the credit spread remains at a very high level despite its recent retreat, and is near its previous high in August 2007, when the market had its first subprime shock. We believe this is a clear sign participants in the fixed income market are not ‘taking the bait’ (ie, not believing a lower cost of capital is a solution to the subprime problem). In short, despite the cut in Fed Funds Rates, we find little evidence to show a return of investors’ confidence in the fixed income market, nor do we see a return of bankers’ appetite for mortgage loans.

Credit market not taking the bait

From an academic point of view, the rise in credit spread (ie, the indicator of level of risk premium in the fixed income market) should have a positive correlation with the equity risk premium, because the higher the credit spread, the more difficult and/or expensive it is for corporates to raise moneys in the debt market. It therefore has a direct and negative impact on corporate earnings visibility and prospects.

Equity risk premium will edge higher

Chart 3: Credit spreads remain high despite the recent pullback



Source: Bloomberg

40 of the 43 Hang Seng Index component stocks have already announced their latest results and most were in line with our expectations with respect to their underlying core earnings growth over the corresponding period in the last financial year.

2007 results were in line or above expectations

Hong Kong banks as a sector provided pleasant surprises as pre-exceptional net profit in aggregate grew 26.5%, while pre-provisioning operating profit grew 29.8% YoY, based on a 9bp widening in NIM and 23% loan growth (2006: 10%). Fee income grew 64%, driven mainly by strong growth in stockbroking fees but overall non-interest income growth was lower at 40% due to trading losses and subprime write-downs (aggregate provisioning and write-downs amount to HK\$6.3bn). Deposits grew 17% and the loan-to-deposit ratio improved from 58% in 2006 to 61%. Despite the 22% rise in expenses, the cost-income ratio improved from 34% to 32.6%, while loan quality remained benign, with the impairment loan ratio improving from 0.67% to 0.52% at the end of 2006.

Pleasant surprises from Hong Kong banks

Table 1: Latest result announcements mostly above market and UBS expectations

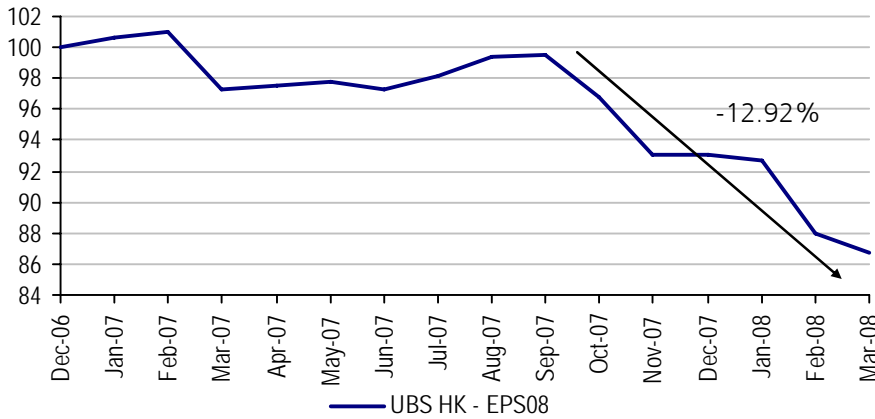
	Interim/Final	Vs UBS Forecast	Vs Market Expectations
BEA	Final	In Line	In Line
Hang Lung Properties	Interim	In Line	In Line
CLP	Final	8% below	4% below
HSBC	Final	4.5% above	5.4% above
Hang Seng Bank	Final	17% above	14.4% above
Cathay Pacific	Final	9.7% above	19% above
HKEx	Final	4.6% above	2% above
Swire Pacific	Final	4% above	10% above
Hongkong Electric	Final	5.7% above	5.5% above
Sun Hung Kai Ppt	Interim	11% above	12% above
CCW	Final	10.7% below	7.4% below
MTRC	Final	21% above	20% above
China Shenhua	Final	3% above	7% above
Sino Land	Interim	In Line	In Line
CITIC Pacific	Final	5% above	28% above
New World Development	Interim	21% above	21% above
Cheung Kong Infrastructure	Final	NA	In Line
China Mobile	Final	In Line	4.8% above
Petro China	Final	In Line	6% below
Ping An Insurance	Final	2% below	6% above
China Overseas Land & Invest	Final	In Line	2% above
BOC HK	Final	5% above	5% above
Bank of China	Final	1% above	In Line
ICBC	Final	3% above	In Line
China Life	Final	In Line	In Line
HK & China Gas	Final	3% above	In Line
Cheung Kong	Final	9% above	6% above
Henderson Land	Interim	3% above	In Line
Hutchison Whampoa	Final	In Line	6% below
China Unicom	Final	11% below	In Line
China Netcom	Final	3% below	4% above
Wharf	Final	10% above	15% above
Esprit	Interim	6% above	6% above
Li & Fung	Final	2% above	17% below
CNOOC	Final	In Line	In Line
China Resources Enterprise	Final	3% above	In Line
BoCom	Final	In Line	In Line
Sinopec	Final	7.1% below	8.5% below
Yue Yuen Industrial	Q1	In Line	In Line

Source: Company data, UBS estimates, Bloomberg

We wrote in February the 2008E earnings integer of the UBS Hong Kong coverage universe started to see a downward adjustment and had fallen over 7% from September 2007 to February 2008. Revisiting our 82-stock universe would reveal the earnings integer has continued to fall in the past two months and has now fallen 12.92% compared with September 2007.

Our 2008E pre-exceptional Hang Seng Index EPS has fallen 12.92% from its peak in October 2007

Chart 4: UBS Hong Kong coverage universe 2008 pre-x EPS forecast (82 stocks)

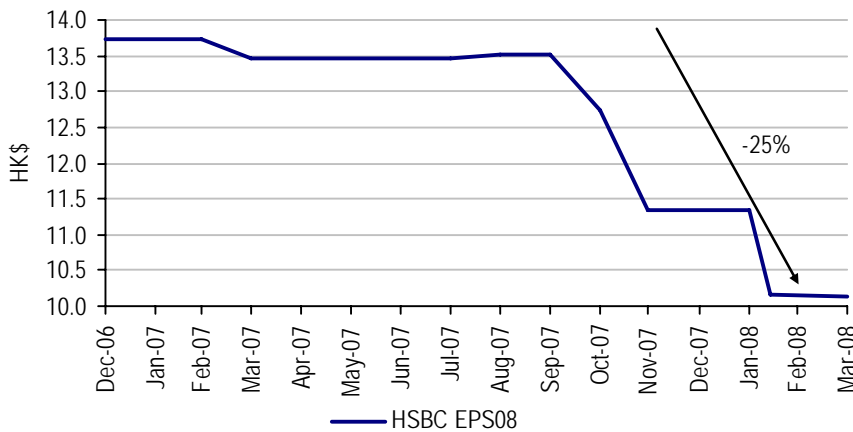


Source: UBS estimates

HSBC remains the main driver for the pre-exceptional EPS revision; we have lowered HSBC's 2008E pre-exceptional EPS 25% since September 2007. We are now expecting its asset quality to deteriorate not only in its US mortgage portfolio, but spreading to auto loans, as well as credit card lending.

Due to a 25% downgrade in HSBC FY08E pre-exceptional EPS

Chart 5: 25% downward revision of HSBC 2008E pre-x EPS since September 2007



Source: UBS estimates

We have also revised our forecasts on many property names in the last month or so, and particularly after the latest result announcements. For example, we have significantly lowered Sun Hung Kai Properties' 2008E pre-exceptional EPS from HK\$6.09 to HK\$4.86 as the company will now book the sale of the highly lucrative Cullinan at Kowloon Station in FY09 rather than FY08. On the other hand, we have also tempered our 2008 pre-exceptional EPS forecasts, after the result announcements and raised the pre-exceptional EPS forecasts on MTRC (updating our ASP assumptions of its development projects) as well as Sino Land (strong rental growth and lower interest expenses due to rate cuts).

And a 20% downgrade of SHKP's FY08 pre-exceptional EPS

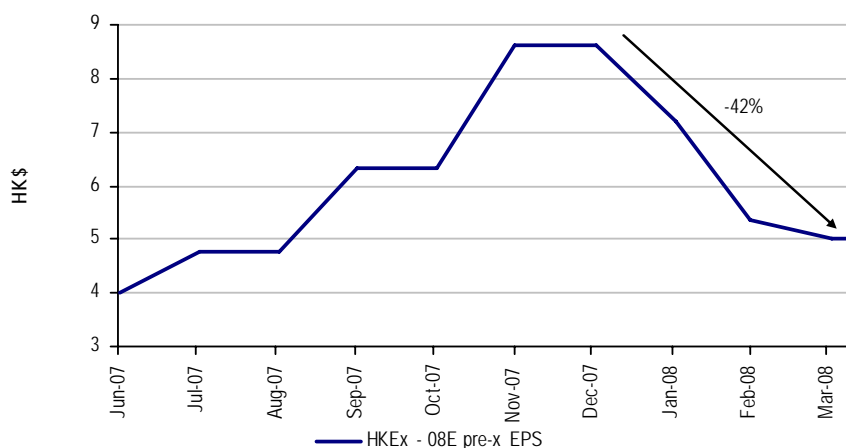
Another example is we have significantly lowered our pre-exceptional EPS forecast for Cathay Pacific from HK\$2.08 to HK\$1.44, as we factor in the impact of a US recession on load factor and yields as well as higher fuel costs. The downward revision in Cathay Pacific's 2008E EPS also carries a significant impact on Swire Pacific (2008E pre-exceptional EPS lowered from HK\$6.46 to HK\$5.85) as Cathay Pacific accounts for 28% of Swire Pacific's 2008E pre-exceptional EBIT, as per our model.

31% downgrade in Cathay Pacific's EPS

Last but not least, we have significantly lowered our forecast for HKE's 2008 pre-exceptional EPS from its peak of HK\$8.86 at the end of 2007 to HK\$5.02 on revised cash and derivative turnover assumptions. We conservatively assume a 19% drop in the average daily turnover to HK\$71bn (year-to-date average daily turnover is 50% higher than our forecast) and we have also lowered our medium term (2008–2012) assumptions on derivative daily volume. Because we applied conservative assumptions, our 2008E pre-exceptional EPS is 15% lower than market consensus of HK\$5.90.

-42% for HKE

Chart 6: 42% downward revision of HKE 2008E pre-x EPS since December 2007

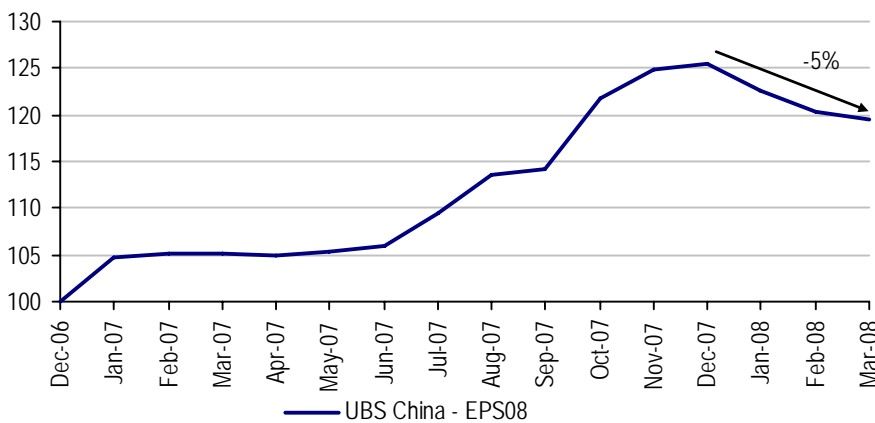


Source: UBS estimates

Meanwhile, a snapshot view of our China universe of 97 stocks reveals we have also lowered our 2008 pre-exceptional earnings integer in the past months, but the magnitude of the revision is small compared with our Hong Kong universe.

Less significant fall in 2008E pre-exceptional EPS for our 97-stock China universe

Chart 7: UBS China coverage universe 2008E pre-x EPS forecast (97stocks)



Source: UBS estimates

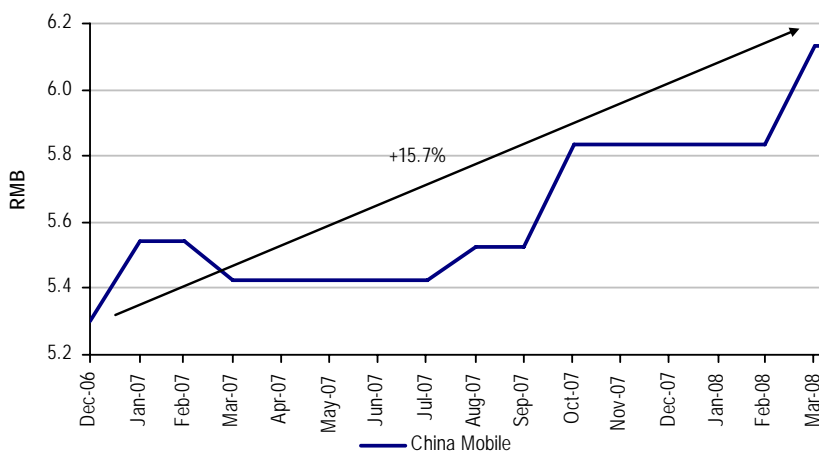
There are signs the trend of earnings downward revision for our China coverage universe has been gaining momentum in recent months. For example, we have cut our EPS forecasts on the toll-road companies after incorporating the impact of the severe snowstorm in Q1 on 2008 traffic volume and earnings. Another sector that has had a substantial drop in pre-exceptional EPS forecasts is the Chinese IPP, because we have raised our contract and spot coal price growth forecast to 20% in 2008 and 10% in 2009 (from 10% and 5%), and our 2008E EPS is now significantly lower than market consensus; between 14–87%, for the five IPPs we cover (Huaneng Power, Huadian Power, China Power, Datang and China Resources Power). We have also significantly lowered our pre-exceptional EPS forecast on PetroChina in anticipation of the higher windfall tax to be imposed as the oil price continues to edge up.

Cutting China’s IPPs FY08E pre-exceptional EPS

Offsetting the downward revision of IPPs and PetroChina’s EPS, is our bullish forecast for China Mobile because we have revised up our EBITDA margin forecast to reflect improving economies of scale and a stable ARPU but strong subscriber growth. Our 2008E and 2009E EPS for China Mobile is now 12% and 17% higher than consensus.

We are bullish on China Mobile

Chart 8: A near 16% upward revision of China Mobile 2008E pre-x EPS since Dec-06

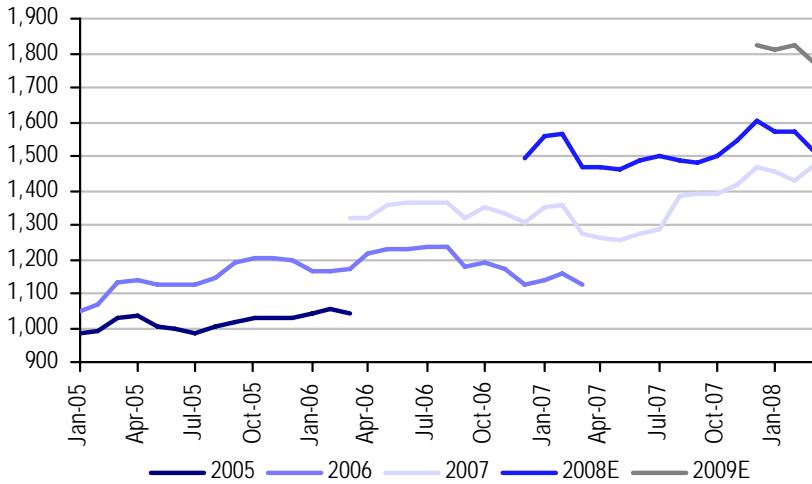


Source: UBS estimates

Despite seeing some upgrades in both the Hong Kong and China universe (179 stocks in total), the momentum of the 2008 pre-exceptional EPS trend remains down. Focusing on the 43-stock Hang Seng Index pre-exceptional earnings integer would reveal an interesting story. Despite our above consensus forecast on index heavyweights such as China Mobile, our 2008E earnings integer has fallen 6.4% since its peak in December 2007 (from 1,602 to today's 1,499.6), while the downward adjustment momentum appears to have been accelerating in the last two months.

Hang Seng Index pre-exceptional 2008E EPS down 6.4% since end-2007

Chart 9: Hang Seng Index 2008E pre-x earnings integer fell 6.4% since end-2007

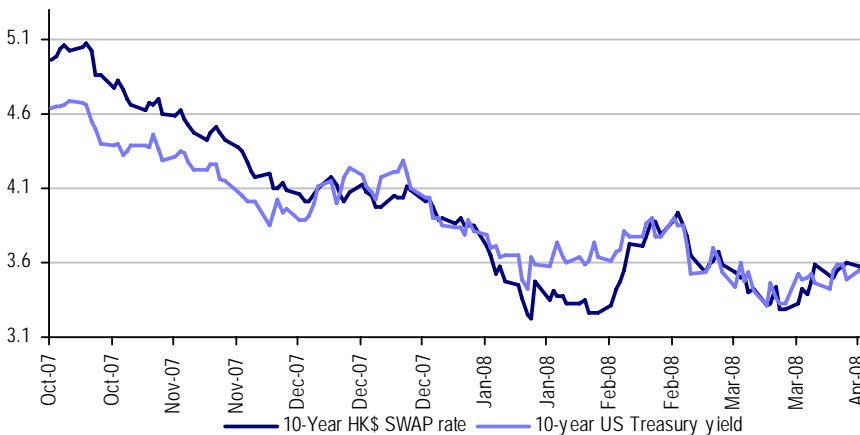


Source: UBS estimates

Compensating for the negative impact on our earnings yield gap-derived Hang Seng Index from the falling earnings growth momentum is a significantly lower risk-free rate: 10-year HK\$ SWAP rate has fallen from over 5% in early October 2007 to just 3.5% recently, more or less tracking the fall of the Fed Funds Rate and the 10-year US Treasury yield since Q407.

Lower cost of capital helps

Chart 10: 10-year HK\$ SWAP trending down since Q407 tracking 10-year US Treasury yield



Source: Datastream

In our earnings yield gap model, we have always assumed a HK\$ risk premium of 65bp over 10-year US Treasury yield even though the historical average risk premium (since implementation of the currency peg in 1983) has been 130bp. Our argument was the low loan-to-deposit ratio (53%) and the abundant liquidity (net deposit of over HK\$2.7trn) mean local rates are artificially depressed and should be lower than the historical average. However, given the surge in the credit spread since August 2007, and our view it will lead to a subsequent rise in equity risk premium, we believe it is appropriate to take a more conservative stance when it comes to HK\$ risk premium over the US\$ at this moment in time. Moreover, we believe the persistent and increasingly severe negative real deposit rates will drive deposits out of the banking system into other asset classes such as Rmb deposit, properties and stocks. We therefore assume the “normalisation” of the risk premium and apply a 130bp to our model.

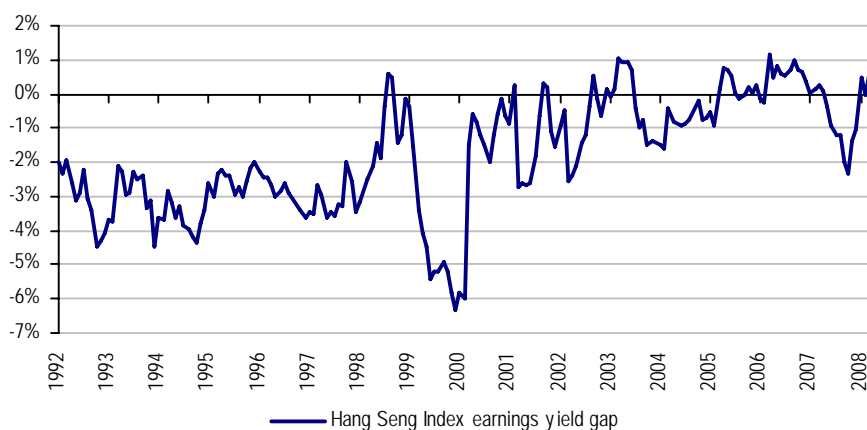
Forecasting change in risk premium is difficult, if not impossible, as one can never gauge precisely the timing and the magnitude of investors’ sentiment shift. However, we argue the recent acceleration in the momentum of downward adjustment in 2008E pre-exceptional EPS should warrant a more conservative attitude and this can either be represented via a lower earnings integer or a higher risk premium.

Plugging in our latest index pre-exceptional earnings integer and our revised HK\$ risk premium into our earnings yield gap model, we can derive our latest snapshot index fair value of 26,800 or 17.8x 2008E pre-exceptional PE, which is still above the index’s 35-year average trailing PE of 15x but below the one standard deviation expensive mark at 19.3x.

More conservative assumption on equity risk premium, well-justified as credit spread rises and subprime fallout continues

2008E HSI fair value is now 26,800 implying a 17.8x pre-exceptional PE

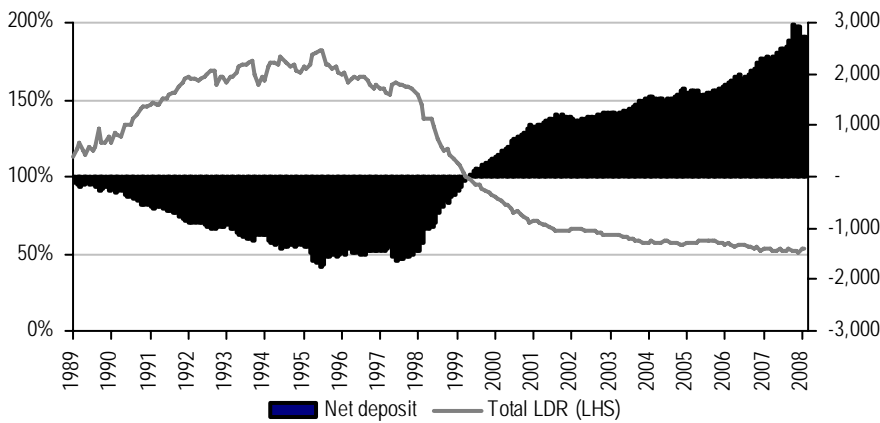
Chart 11: 2008E index fair value is now 26,800 based on our earnings yield gap model



Source: UBS estimates

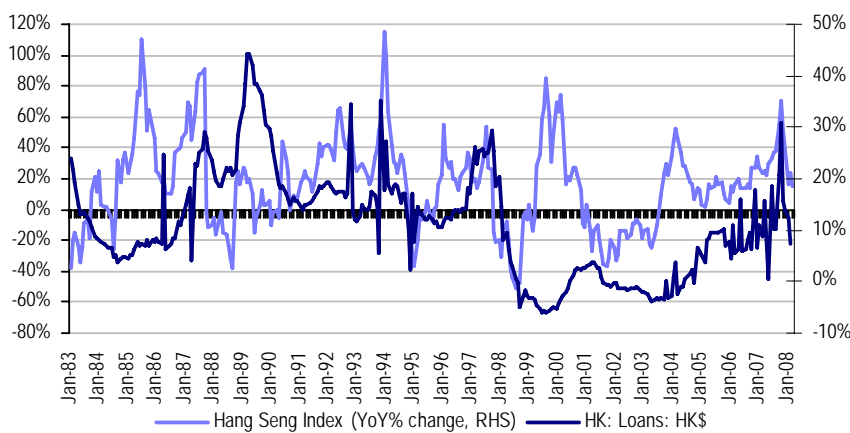
Despite the apparent difficult environment of downward adjustments in earnings growth and rising risk premium, we doubt this is the beginning of, or the prelude to a bear market. Our reasoning is simple: Hong Kong lacks financial leverage and financial leverage is the key ingredient for financial difficulties. Earnings growth adjustments are mainly US subprime fallout led adjustments (as in the case of HSBC, Bank of East Asia, etc) which we doubt will be a recurrent event and most important of all, analysts and investors adjusting their bullish expectations on 2008 (as in the case of HKEx), which we believe is another one-off factor. We cannot accurately forecast the end of the earnings growth adjustment cycle or the peak of equity risk premium but we believe our conservative stance towards earnings and the use of a 130bp risk premium over US\$ are sufficient, and has represented our view.

Chart 12: Hong Kong remains under leveraged with total LDR at 53% and net deposit of HK\$2.71trn



Source: CEIC

Chart 13: Loan growth remained subdued after strong growth seen in 2007 due to the hot IPO market

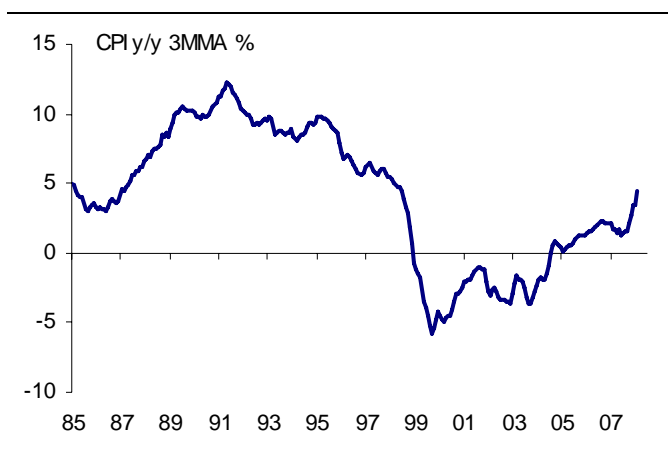


Source: CEIC

Given the lack of financial leverage in Hong Kong and the increasingly apparent supply-demand imbalance of the residential property market, we maintain our bullish stance on developers with long landbank. The latest CPI number surprised on the upside and many blamed the weakening US\$ and appreciating Rmb (hence importing inflation). However, one should not ignore the structural issue of a very tight labour market, hence the acceleration in the rise in the nominal wage index. On the other hand, UBS is expecting Fed Funds Rate to hit 1.5% by August 2008 hence nominal interest rates in Hong Kong should continue to edge down (but not necessary following the US completely, as the local deposit rates are now fairly close to 0%). The two combined only means the worsening of the negative real interest rates environment hence rising asset prices.

Hong Kong does not have excessive financial leverage: this is a correction, not a bear market, in our view

Chart 14: Hong Kong CPI edging up and momentum is accelerating



Source: CEIC

Chart 15: A tight labour market adds fuel to fire

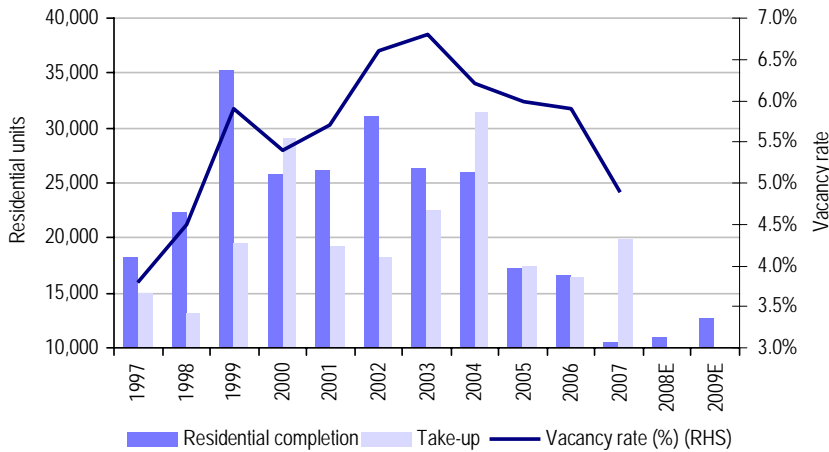


Source: CEIC

Given the near 40% retreat from its high of HK\$ 29.8 and a 60%+ upside to our NAV-based 12-month price target of HK\$ 29.4, we are adding Sino Land to our model portfolio. Our 12-month price target is based on a 30% premium to end-2009E NAV of HK\$ 22.6. Catalysts for re-rating, in our view, will be the launch of The Palazzo in Shatin (1.3m sq ft of developable GFA) and Lake W in Wu Kai Sha (1.8m sq ft) in Q2 and Q3 and the two projects account for a significant portion of residential presale in 2008.

We believe Sino Land offers good value after a 40% retreat

Chart 16: strong growth in residential take-up underpin prices while residential completion remain very low in 2008 and 2009

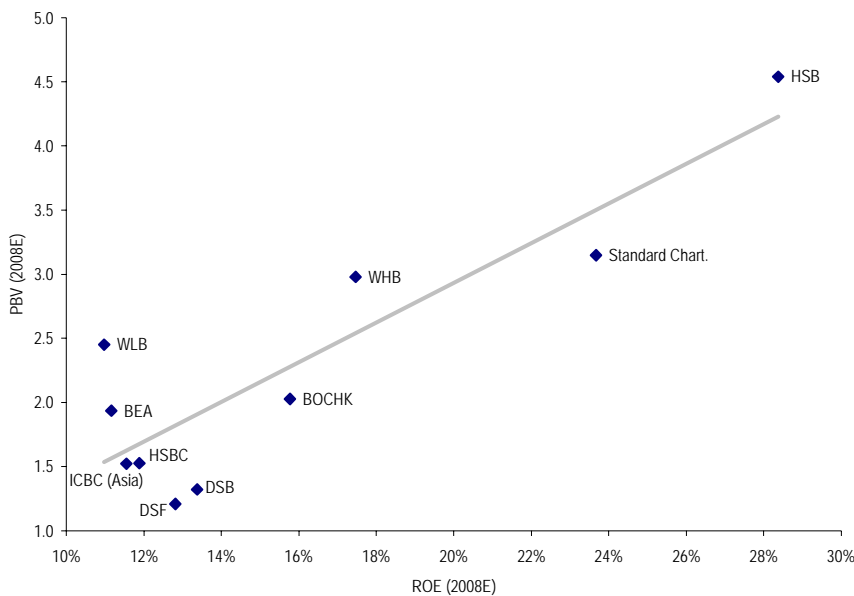


Source: R & V Department

We also add Dah Sing Bank to our MSCI Hong Kong benchmarked model portfolio due purely to an undemanding valuation. Trading at 1.2x 2008E PBV, it compares favourably to similar sized Wing Hang Bank (2.8x). Dah Sing Bank's share price has fallen by almost 30% from its high of HK\$19.5 in January, due largely to its SIV exposure. However, 67% of its US\$200m exposure was written down in its FY07 results hence we believe the worst should be over. We value Dah Sing Bank at 1.5x target end-2008E PBV assuming 12.5% ROE (down from 13.5%), 10.5% COE and 6.3% long-term growth (prior: 6.8%).

Dah Sing Bank is a good value proposition

Chart 17: Hong Kong banks valuation roadmap - Dah Sing Bank's valuation is undemanding



Source: UBS estimates

Table 2: Recommended sector weightings

Sectors	Sector weight (%)	Model weight (%)	Over/under	Current theme
Financials	19.1	19.0	Neutral	Valuation emerges as many faced de-rating pressure from the US subprime fallout
Telecoms	1.6	0	Under	Utilities with low yield not likely to perform in a reflationary environment
Properties	36.7	43.0	Over	"Property manufacturers" to benefit from rising volumes and improving margins
Conglomerates	10.9	29.0	Over	Diversified source of earnings deserves premium rating
Aviation/Transport	4.2	0	Under	Victim of rising fuel costs and victim of open-sky policy
Media/Broadcasting	0.5	5.0	Over	Beneficiary of ad spend recovery and high fixed cost base means high operating leverage
Utilities	9.0	0	Under	Low beta plays underperform when growth returns
Industrial/exporters	7.3	4.0	Under	Selective small cap industrial/exporters are trading at undemanding valuations
Consumers	10.6	0	Under	Victim of rising retail rent and labour cost and valuations are hardly attractive

Source: UBS estimates

Table 3: Recommended MSCI Hong Kong benchmarked model portfolio

Stocks	Reuters code	Price* (HK\$)	Rating	Market cap (US\$ m)	Index weight (%)	Model weight (%)
Hang Seng Bank	0011.HK	144.50	Neutral	35,443	4.97	6.0
HSBC	0005.HK	131.00	Buy	198,667	nil	3.0
BOCHK	2388.HK	19.30	Buy	26,161	3.21	8.0
Dah Sing Bank	2356.HK	14.18	Buy	1,654	nil	2.0
SHK Properties	0016.HK	128.50	Buy	42,246	8.15	16.0
Cheung Kong	0001.HK	118.90	Buy	35,307	8.05	10.0
Henderson Land	0012.HK	58.00	Buy	13,493	2.80	5.0
Sino Land	0083.HK	18.18	Buy	10,463	1.10	5.0
Hysan Development	0014.HK	22.95	Buy	3,099	0.65	3.0
Wharf Holdings	0004.HK	36.10	Buy	11,330	2.24	4.0
Swire Pacific	0019.HK	91.15	Buy	17,891	3.38	15.0
Hutchison Whampoa	0013.HK	74.50	Not Rated	40,716	7.14	14.0
Techtronic	0669.HK	7.66	Buy	1,439	nil	2.0
Yue Yuen Industrial	0551.HK	24.95	Buy	5,321	0.65	2.0
TVB	0511.HK	42.10	Suspended	2,364	0.54	5.0

Source: UBS estimates

Selected stock and economic data

Table 4: Capital-raising in Hong Kong's equity market

(US\$ bn)	Hong Kong stocks	China-related stocks*	Total
1997	20.0	12.0	32.0
1998	3.2	1.7	4.9
1999	6.2	6.6	12.8
2000	12.5	26.4	38.9
2001	1.6	5.5	7.1
2002	4.9	2.3	7.2
2003	6.9	6.1	13.0
2004	9.9	15.8	25.7
2005	10.0	25.1	35.0
2006	19.9	46.2	66.1
2007	33.3	53.4	86.7
2008 (YTD)	3.1	8.9	12.0

* Included H-Shares, China Mobile, China Unicom.

Source: UBS estimates

Table 5: Hong Kong total non-financials (ex-red chips)

UBS HK non-financial universe (24 stocks)	2000	2001	2002	2003	2004	2005	2006	2007E	2008E
Earnings growth									
Pre-exceptional EPS growth	40.0%	-42.0%	8.1%	-4.6%	87.2%	14.7%	-2.4%	23.6%	27.8%
Sales growth and margins									
Sales growth	11.2%	10.7%	12.4%	18.7%	18.7%	22.2%	13.9%	15.4%	13.1%
EBITDA margin	25.6%	22.7%	23.5%	17.7%	17.9%	16.9%	18.7%	19.4%	18.2%
Core EBIT margin	19.2%	16.2%	16.9%	9.8%	7.4%	6.9%	9.8%	10.7%	10.4%
PBT margin	27.4%	17.6%	16.2%	10.8%	13.8%	13.9%	15.7%	19.3%	11.3%
Net margin	24.4%	13.8%	12.5%	9.9%	14.1%	12.8%	12.6%	16.2%	8.1%
Dupont analysis									
a) Tax burden (net profit / PBT)	0.89	0.78	0.77	0.92	1.02	0.92	0.80	0.84	0.72
b) Interest burden (PBT / EBIT)	1.37	1.06	0.93	1.04	1.79	1.93	1.55	1.75	1.05
c) Oth inc & except'ns charge (EBIT / core EBIT)	1.04	1.03	1.03	1.05	1.05	1.05	1.04	1.03	1.03
d) Depr'tn charge (core EBIT / core EBITDA)	0.75	0.71	0.72	0.56	0.41	0.41	0.52	0.55	0.57
e) Margin (core EBITDA / sales)	25.6%	22.7%	23.5%	17.7%	17.9%	16.9%	18.7%	19.4%	18.2%
f) Asset turnover (sales / assets)	0.44	0.47	0.47	0.50	0.54	0.64	0.63	0.68	0.74
g) Leverage (assets / equity)	1.13	1.24	1.33	1.40	1.48	1.56	1.55	1.42	1.41
ROCE (= c*d*e*f)	8.7%	7.9%	8.2%	5.2%	4.2%	4.6%	6.4%	7.5%	7.9%
ROE (= ROCE*a*b*g)	12.1%	8.1%	7.8%	7.0%	11.3%	12.8%	12.3%	15.6%	8.5%

Source: UBS estimates

Table 6: Key economic data

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008E	2009E
Real GDP (% YoY)	-6.0	2.6	8.0	0.5	1.8	3.0	8.5	7.1	7.0	6.3	2.5	4.9
Private consumption (%YoY)	-6.8	1.3	0.3	1.8	-0.9	-1.3	7.0	3.0	6.0	7.8	4.0	5.1
Government consumption (%YoY)	0.7	3.1	-4.4	6.0	2.4	1.8	0.7	-3.2	0.1	2.3	3.5	2.1
Gross Fixed investment (%YoY)	-7.3	-16.6	-12.2	2.6	-4.7	0.9	2.5	4.1	7.0	6.0	5.3	4.8
Net exports (%)	4.2	7.0	-4.9	-0.4	2.5	2.8	3.5	5.6	1.8	-0.8	-0.2	0.6
Nominal GDP (US\$ bn)	167	163	169	167	164	159	166	178	190	207	219	233
Per capita GDP (US\$)	25,349	24,594	25,195	24,750	24,349	23,441	24,400	25,998	27,498	29,744	31,333	33,079
Total Exports (US\$ bn)	174.0	174.1	202.1	190.1	200.3	224.0	259.4	289.4	316.8	344.7	359.9	386.9
(% YoY)	-7.4	0.0	16.1	-5.9	5.4	11.9	15.8	11.6	9.4	8.8	4.4	7.5
Total Imports (US\$ bn)	184.6	179.6	213.0	201.5	208.0	232.5	271.4	299.9	334.7	368.2	386.6	415.6
(% YoY)	-11.5	-2.7	18.6	-5.4	3.2	11.8	16.7	10.5	11.6	10.0	5.0	7.5
Trade balance (US\$ bn)	-10.6	-5.6	-11.0	-11.4	-7.7	-8.5	-12.0	-10.5	-17.9	-23.5	-26.7	-28.7
Current account (US\$ bn)	2.53	10.25	6.99	9.79	12.41	16.47	15.73	20.18	22.94	27.40	23.36	24.53
Current account (% of GDP)	1.4	5.7	4.8	5.2	7.6	10.4	9.5	11.4	12.1	13.3	10.7	10.6
Reserves (US\$ bn)												
	89.60	96.30	107.50	111.20	111.92	118.92	123.57	124.28	133.20	152.70	162.00	170.00
Exchange rate* (HK\$/US\$)	7.75	7.77	7.80	7.80	7.80	7.76	7.77	7.75	7.78	7.80	7.80	7.80
3M HIBOR (%)	5.39	5.88	5.93	2.07	1.50	0.15	0.35	4.23	3.90	3.45	1.50	1.50
10Y Bond Yield (%)	6.36	7.74	6.46	6.22	4.39	4.37	3.63	4.18	3.73	3.44	3.00	3.50
Inflation rate (%)	2.8	-3.9	-3.7	-1.6	-3.0	-2.6	-0.4	0.9	2.0	2.0	3.3	3.3

Source: CEIC, UBS estimates

Table 7: UBS's Hong Kong/China universe valuation

Reuters code	Name	Rating	Price* (HK\$)	YTD%	Mkt Cap (US\$m)	Av. daily (-1m) T/O		2005	2006	2007E	2005	2006	2007E	2006	2007E	2006	2007E	2006
						P/B	P/B	P/B	PE	PE	PE	Div yld	Div yld	Div yld	ROE			
BANKING																		
3988.HK	Bank of China	Neutral	3.61	-4.5%	117,862	165.4	2.34	2.05	1.80	26.0	16.1	12.2	2.8%	3.4%	14%			
0023.HK	Bank of East Asia	Suspended	41.25	-22.7%	8,928	37.5	1.82	2.40	1.94	21.0	21.8	18.3	3.6%	4.1%	14%			
3328.HK	BCOM	Neutral	9.92	-8.0%	62,432	112.1	2.69	3.47	2.89	36.2	23.6	16.1	1.5%	2.2%	18%			
2388.HK	BOCHK	Buy	19.08	-12.7%	25,913	55.7	2.04	2.24	2.03	16.6	14.1	13.2	4.7%	5.2%	17%			
2628.HK	China Life	Neutral	29.00	-28.1%	105,293	512.6	2.63	4.11	3.17	38.6	20.5	19.1	1.4%	1.6%	23%			
0998.HK	Citic Bank	Buy	4.30	-12.1%	21,560	22.0	n/a	2.56	1.65	n/a	19.7	13.2	0.9%	2.2%	14%			
0183.HK	CITIC International	Buy	4.41	-9.4%	3,247	6.1	1.09	1.37	0.90	35.7	8.8	7.1	0.0%	2.8%	8%			
600030.SS	CITIC Securities	Buy	54.58	-38.9%	23,277	330.6	3.09	4.23	2.94	33.5	14.6	15.6	0.8%	1.6%	36%			
600036.SS	CMB - A	Suspended	31.68	-20.1%	66,649	207.4	2.31	n/a	n/a	39.4	n/a	n/a	n/a	n/a	n/a			
3968.HK	CMB-H	Buy	27.95	-12.2%	52,807	163.5	3.65	5.20	4.45	36.6	28.2	17.3	1.2%	1.6%	23%			
0939.HK	CN Construction Bank	Buy	6.41	-3.0%	192,419	285.8	2.41	3.30	2.77	24.6	21.8	14.8	3.1%	2.8%	18%			
2356.HK	Dah Sing Bank	Buy	14.02	-22.5%	1,639	2.2	1.57	1.77	1.32	15.1	8.8	10.2	2.7%	3.8%	9%			
0440.HK	Dah Sing Finan1	Buy	55.20	-28.4%	1,833	2.8	1.57	1.65	1.21	17.2	7.6	9.9	2.2%	4.1%	10%			
0011.HK	Hang Seng Bank	Neutral	144.00	-10.5%	35,389	61.3	3.94	4.13	4.54	18.7	17.6	16.5	5.2%	5.0%	35%			
0388.HK	HKEA	Buy	147.80	-33.2%	20,160	243.2	10.67	17.60	19.36	36.1	26.5	29.5	3.7%	3.3%	87%			
0005.HK	HSBC Holdings	Buy	131.90	0.2%	200,422	442.7	1.88	1.67	n/a	13.1	10.3	n/a	5.0%	n/a	16%			
600015.SS	Hua Xia Bank	Sell	13.07	-31.8%	7,852	47.8	1.77	4.60	2.56	20.9	26.1	18.3	1.3%	1.6%	16%			
1398.HK	ICBC - H	Buy	5.91	5.5%	253,579	330.7	2.88	2.90	2.95	33.6	23.6	16.2	2.7%	3.4%	19%			
0349.HK	ICBC (Asia)	Buy	20.90	-0.5%	3,291	6.4	1.23	1.46	1.52	14.5	16.2	14.3	4.7%	4.5%	12%			
601166.SS	Industrial Bank	Buy	36.45	-29.7%	26,069	148.3	n/a	5.40	3.78	n/a	21.2	17.1	0.8%	1.8%	31%			
600016.SS	Minsheng Bank	Buy	8.51	-25.4%	22,913	105.2	2.50	3.28	2.14	27.6	25.9	18.5	1.0%	1.3%	18%			
2328.HK	PICC P&C	Neutral (CBE)	7.88	-29.4%	11,278	40.5	1.51	3.38	2.88	250.7	1133.2	26.7	1.2%	0.7%	18%			
2318.HK	Ping An Insurance	Buy	62.15	-25.7%	58,639	184.6	3.19	4.08	3.58	34.9	23.3	19.6	1.3%	1.5%	26%			
600000.SS	SH Pudong Bank (G)	Buy	34.19	-35.2%	21,298	125.0	2.04	5.87	2.58	27.7	27.1	17.2	0.4%	0.9%	21%			
000001.SZ	Shenzhen Dev. Bank	Buy	27.48	-28.8%	9,015	106.5	2.40	5.27	2.93	19.2	23.8	15.0	0.0%	0.0%	27%			
0302.HK	Wing Hang Bank	Buy	115.00	-1.5%	4,343	4.9	2.23	2.62	2.98	16.9	19.1	17.8	3.7%	2.9%	21%			
0096.HK	Wing Lung Bank	Restricted	140.20	46.8%	4,182	13.3	1.44	1.58	n/a	17.4	27.2	n/a	3.7%	n/a	12%			
Sector Average				-15.7%	1,362,290	3,764.1	2.60	3.78	3.29	34.9	62.6	16.4	2.3%	2.6%	22%			
NAV%Prem(Dis.)																		
PROPERTIES																		
3383.HK	Agile Property	Buy	8.23	-42.0%	3,663	31.0	n/a	n/a	n/a	21.1	14.9	8.0	2.3%	4.3%	24.6%			
2778.HK	Champion REIT	Buy	3.94	-13.8%	1,414	1.4	n/a	n/a	n/a	188.2	49.9	25.5	8.7%	8.7%	1.3%			
0001.HK	Cheung Kong	Buy	117.80	-18.3%	35,048	129.1	3.5%	6.3%	46.4%	14.2	n/a	n/a	n/a	n/a	n/a			
0688.HK	COLI	Buy	14.64	-9.2%	13,870	86.0	n/a	n/a	n/a	33.3	26.3	19.9	1.1%	1.5%	20.6%			
2007.HK	Country Garden	Buy	6.80	-24.6%	14,290	15.9	n/a	n/a	n/a	27.0	14.8	1.8%	2.7%	38.7%				
0041.HK	Great Eagle	Buy	21.55	-26.1%	1,664	5.3	-54.1%	n/a	n/a	35.1	nm	14.9	2.3%	2.7%	17.3%			
3900.HK	Greentown China	Buy	7.83	-35.7%	1,531	3.7	n/a	n/a	n/a	11.9	10.8	6.4	2.8%	4.8%	18.1%			
2777.HK	Guangzhou R&F	Buy	21.25	-23.6%	2,771	72.3	n/a	n/a	n/a	25.0	18.7	10.9	2.1%	3.7%	30.9%			
0405.HK	GZI REIT	Buy	3.05	-1.0%	392	0.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
0010.HK	Hang Lung Group	Buy	38.85	-8.8%	6,713	8.0	84.2%	67.5%	52.2%	34.8	26.3	55.9	2.5%	1.6%	18.6%			
0101.HK	Hang Lung Properties	Buy	29.15	-17.4%	15,513	38.5	50.2%	44.2%	25.8%	44.6	56.1	20.9	1.9%	2.0%	11.7%			
0012.HK	Henderson Land	Buy	58.05	-21.0%	13,531	37.8	-10.1%	-22.7%	-22.3%	20.8	22.6	17.8	1.9%	1.9%	6.9%			
HKLD.SI	HK Land	Buy	4.40	-10.9%	9,804	20.9	7.6%	-34.6%	n/a	37.0	9.5	20.6	3.0%	3.3%	27.0%			
0754.HK	Hopson	Buy	12.98	-39.8%	2,143	4.8	n/a	n/a	n/a	24.8	11.6	6.9	2.6%	4.4%	15.1%			
0014.HK	Hysan Develop.	Buy	23.00	3.4%	3,112	9.3	-26.3%	-39.7%	-48.3%	29.7	26.8	24.6	2.6%	2.7%	3.2%			
1813.HK	KWG Property	Buy	6.81	-40.8%	2,269	11.7	n/a	n/a	n/a	n/a	17.7	6.7	2.0%	5.2%	20.1%			
0823.HK	Link REIT	Buy	18.62	10.3%	5,139	20.8	n/a	n/a	n/a	26.5	27.4	25.0	4.1%	4.1%	17.2%			
0017.HK	New World Dev	Buy	18.92	-31.6%	8,973	38.9	1.2%	1.2%	1.2%	40.9	38.7	16.7	2.5%	2.2%	3.2%			
0604.HK	Shenzhen Inv. Ltd	Buy	3.50	-37.3%	1,269	7.8	n/a	n/a	n/a	62.3	14.9	8.8	2.4%	4.1%	9.7%			
0813.HK	Shimao	Buy	14.18	-28.7%	5,583	34.3	n/a	n/a	n/a	26.2	14.7	10.4	1.7%	2.4%	20.2%			
0272.HK	Shui On	Suspended	7.10	-22.0%	3,817	6.7	n/a	n/a	n/a	24.1	24.0	14.9	1.2%	1.8%	8.1%			
0242.HK	Shun Tak	Buy (CBE)	10.46	-14.7%	2,937	6.3	n/a	n/a	n/a	44.3	38.9	29.0	1.3%	1.4%	4.7%			
0083.HK	Sino Land	Buy	18.28	-34.0%	10,542	34.9	-2.1%	-9.2%	3.5%	16.6	21.0	23.1	2.5%	2.4%	14.4%			
0410.HK	SOHO China	Buy	4.92	-38.9%	3,307	7.5	n/a	n/a	n/a	n/a	10.1	8.8	2.6%	3.4%	24.9%			
0016.HK	Sun Hung Kai P.	Buy	128.00	-22.7%	42,164	193.5	11.2%	-6.1%	5.4%	20.9	28.0	26.3	2.6%	2.0%	12.1%			
0004.HK	Wharf Holdings	Buy	35.85	-12.2%	11,273	28.6	-20.6%	-40.8%	-44.0%	16.9	18.0	15.6	2.2%	2.3%	14.2%			
0020.HK	Wheelock	Buy	22.35	-6.9%	5,829	2.4	n/a	n/a	n/a	28.0	21.6	13.9	0.7%	0.6%	4.2%			
Sector Average				-21.0%	228,560	858.0				36.0	24.0	17.8	2.5%	3.0%	15.5%			
TELECOMMUNICATIONS																		
0941.HK	China Mobile	Buy	127.20	-7.8%	321,399	564.5	3.05	4.79	5.11	20.8	28.5	18.7	2.1%	2.4%	25%			
0906.HK	China Netcom	Sell	22.15	-5.5%	18,760	41.1	1.26	1.56	1.57	13.7	14.6	15.0	2.7%	2.4%	13%			
0728.HK	China Telecom	Neutral	5.03	-18.9%	48,857	132.5	1.13	1.60	1.57	15.9	17.1	16.9	1.7%	2.0%	11%			
0762.HK	China Unicom	Buy	15.96	-10.8%	25,736	54.9	1.17	1.70	1.95	23.9	28.9	21.7	1.7%	1.9%	8%			
600050.SS	China Unicom-A	Neutral	7.99	-33.9%	24,225	180.8	1.21	2.80	3.12	21.9	49.5	29.9	1.0%	1.2%	7%			
CTRP.O	Ctrip	Buy	56.90	-1.0%	3,717	10.8	12.63	24.42	17.61	69.0	71.1	47.4	0.4%	0.5%	39%			
2332.HK	HTIL	Buy	11.34	-3.2%	6,956	13.5	3.89	1.67	1.37	463.6	nm	28.2	50.8%	1.1%	nm			
0008.HK	PCCW	Neutral	4.92	6.3%	4,254	16.7	nm	nm	nm	25.4	19.7	18.5	2.0%	2.2%	nm			
QX.M.N	Qiao Xing Mobile	Buy	7.13	-15.7%	374	0.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
0315.HK	SmarTone	Neutral	7.80	6.7%	581	0.6	1.51	1.34	1.58	67.1	28.8	21.5	13.9%	4.7%	5%			
0763.HK	ZTE	Buy	40.00	-4.8%	4,932	10.0	2.55	2.78	2.51	46.0	29.9	17.8	0.7%	1.1%	11%			
Sector Average				-8.1%	459,790	1,025.4	3.16	4.74	4.04	76.7	32.0	23.6	7.7%	1.9%	15%			
CONGLOMERATES																		
0267.HK	Citic Pacific	Not Rated	33.25	-23.7%	9,367	30.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
0291.HK	CRE	Buy	25.65	-23.4%	7,862	22.7	2.11	3.00	2.49	29.2	30.0	28.0	3.6%	1.5%	10%			
0027.HK	Galaxy Entertainment	Buy (CBE)	5.46	-25.5%	2,760	2.6	1.63	1.17	1.24	nm	71.9	nm	0.0%	0.0%	2%			
0013.HK	Hutchison	Not Rated	74.45	-15.8%	40,768	75.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
0494.HK	Li & Fung	Neutral	28.45	-9.7%	12,466	44.1	7.12	9.73	8.66	37.4	37.0	27.5	2.5%	2.6%	29%			
0200.HK	Melco International	Buy	12.40	5.8%	1,951	4.5	2.78	1.63	1.39	nm	nm	866.3	0.1%	0.1%	nm			
MPEL.O	Melco PBL	Neutral (CBE)	13.42	13.9%	5,907	3.1	4.37	2.29	2.46	nm	nm	nm						

Table 7: UBS's Hong Kong/China universe valuation (cont'd)

2007E ROE	Net debt/Equity	Price Target	Target Return	EPS Growth		CAGR 05-07E	Sales Net Profit				Analyst	Name	Reuters code	
				2006	2007E		PE/ CAGR	CAGR 04-06	CAGR 04-06	EV/EBITDA (x)				2006
BANKING														
16%	n/a	3.55	-2%	37%	32%	34%	0.76	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang	Bank of China	3988.HK
13%	n/a	n/a	n/a	-10%	19%	4%	5.73	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Bank of East Asia	0023.HK
19%	n/a	11.00	11%	61%	46%	53%	0.68	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang; John Wadle	BOCOM	3328.HK
16%	n/a	23.90	25%	7%	6%	7%	2.49	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	BOCHK	2388.HK
18%	n/a	30.70	6%	105%	8%	49%	0.79	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang	China Life	2628.HK
13%	n/a	7.15	66%	81%	49%	64%	n/a	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	Citic Bank	0998.HK
11%	n/a	4.59	4%	156%	24%	78%	0.46	n/a	n/a	n/a	n/a	Ben Hu; Sally Ng, CFA	CITIC International	0183.HK
20%	n/a	103.50	90%	382%	1%	121%	0.28	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	CITIC Securities	600030.SS
n/a	n/a	n/a	n/a	53%	49%	51%	0.77	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang; John Wadle	CMB - A	600036.SS
29%	n/a	38.90	39%	120%	63%	89%	0.41	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang; John Wadle	CMB - H	3968.HK
20%	n/a	7.70	20%	47%	47%	47%	0.53	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang; John Wadle	CN Construction Bank	0939.HK
12%	n/a	15.80	13%	36%	-13%	9%	1.70	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Dah Sing Bank	2356.HK
12%	n/a	63.50	15%	78%	-23%	17%	1.02	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Dah Sing Finan'l	0440.HK
29%	n/a	157.00	9%	44%	6%	24%	0.79	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Hang Seng Bank	0011.HK
65%	n/a	194.00	31%	136%	-10%	46%	0.79	n/a	n/a	n/a	n/a	Ben Hu; Sally Ng, CFA	HKEx	0388.HK
n/a	n/a	n/a	n/a	18%	-21%	-4%	-3.70	n/a	n/a	n/a	n/a	John Wadle; Alastair Ryan	HSBC Holdings	0005.HK
18%	n/a	11.80	-10%	49%	54%	51%	0.41	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	Hua Xia Bank	600015.SS
19%	n/a	6.70	13%	74%	46%	59%	0.57	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang; John Wadle	ICBC - H	1398.HK
12%	n/a	22.20	6%	24%	13%	19%	0.77	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	ICBC (Asia)	0349.HK
25%	n/a	42.50	17%	90%	34%	59%	n/a	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	Industrial Bank	601166.SS
15%	n/a	14.00	65%	21%	51%	35%	0.78	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	Minsheng Bank	600016.SS
14%	n/a	7.82	-1%	-56%	415%	331%	0.76	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang	PLC P&C	2328.HK
19%	n/a	97.10	56%	116%	19%	60%	0.58	n/a	n/a	n/a	n/a	Sally Ng, CFA; Victor Wang	Ping An Insurance	2318.HK
21%	n/a	46.40	36%	73%	70%	71%	0.39	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	SH Pudong Bank (G)	600000.SS
25%	n/a	53.70	95%	62%	71%	66%	0.29	n/a	n/a	n/a	n/a	Victor Wang; Sally Ng, CFA	Shenzhen Dev. Bank	000001.SZ
18%	n/a	117.90	3%	11%	7%	9%	1.82	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Wing Hang Bank	0302.HK
n/a	n/a	n/a	n/a	10%	15%	12%	1.42	n/a	n/a	n/a	n/a	Sally Ng, CFA; Ben Hu	Wing Lung Bank	0096.HK
20%				68%	178%									Sector Average
PROPERTIES														
33.8%	74%	17.50	113%	59%	88%	73%	0.29	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Agile Property	3383.HK
2.4%	33%	5.50	40%	295%	95%	178%	1.06	n/a	n/a	n/a	n/a	Cj Lee; Eric Wong	Champion REIT	2778.HK
n/a	n/a	163.40	39%	59%	-61%	-22%	-0.66	n/a	n/a	n/a	n/a	Eric Wong; David Ng, CFA	Cheung Kong	0001.HK
20.6%	28%	19.50	33%	78%	32%	53%	0.63	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	COLI	0688.HK
30.8%	cash	14.00	106%	178%	82%	125%	n/a	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Country Garden	2007.HK
3.2%	26%	47.60	121%	nm	nm	51%	0.69	n/a	n/a	n/a	n/a	Cj Lee; Eric Wong	Great Eagle	0041.HK
21.4%	114%	20.00	155%	-40%	70%	1%	23.74	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Greentown China	3900.HK
30.8%	63%	40.00	88%	69%	72%	71%	0.35	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Guangzhou R&F	2777.HK
n/a	n/a	3.70	21%	4%	3%	4%	n/a	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	GZI REIT	0405.HK
16.0%	10%	49.70	28%	118%	53%	1%	31.54	n/a	n/a	n/a	n/a	Eric Wong	Hang Lung Group	0010.HK
14.7%	cash	34.60	19%	19%	168%	78%	0.57	n/a	n/a	n/a	n/a	Eric Wong	Hang Lung Properties	0101.HK
6.9%	8%	97.70	68%	23%	27%	25%	0.83	n/a	n/a	n/a	n/a	Eric Wong; David Ng, CFA	Henderson Land	0012.HK
4.0%	21%	8.40	91%	331%	-54%	41%	0.90	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	HK Land	HKLD.SI
19.7%	87%	30.00	131%	26%	68%	45%	0.55	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Hopson	0754.HK
3.1%	8%	35.00	52%	25%	9%	17%	1.77	n/a	n/a	n/a	n/a	Cj Lee; Eric Wong	Hysan Develop.	0014.HK
24.5%	7%	17.50	157%	39%	164%	91%	n/a	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	KWG Property	1813.HK
15.7%	40%	23.10	24%	12%	10%	11%	2.39	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	Link REIT	0823.HK
6.9%	44%	38.10	101%	28%	132%	72%	0.57	n/a	n/a	n/a	n/a	Eric Wong; David Ng, CFA	New World Dev	0017.HK
14.4%	76%	7.50	114%	350%	70%	177%	0.35	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Shenzhen Inv. Ltd	0604.HK
20.3%	14%	33.00	133%	73%	41%	56%	0.47	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Shimao	0813.HK
11.0%	cash	n/a	n/a	5%	62%	30%	0.80	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	Shui On	0272.HK
7.9%	17%	12.83	23%	0%	34%	16%	2.79	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	Shun Tak	0242.HK
7.3%	26%	29.40	61%	-21%	-9%	-15%	-1.10	n/a	n/a	n/a	n/a	Eric Wong; David Ng, CFA	Sino Land	0083.HK
17.0%	cash	9.00	83%	453%	14%	151%	n/a	n/a	n/a	n/a	n/a	David Ng, CFA; Eric Wong	SOHO China	0410.HK
6.3%	14%	209.10	63%	7%	6%	7%	3.14	n/a	n/a	n/a	n/a	Eric Wong	Sun Hung Kai P.	0016.HK
5.9%	28%	66.80	86%	17%	16%	16%	1.03	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	Wharf Holdings	0004.HK
5.2%	37%	37.40	67%	89%	44%		0.38	n/a	n/a	n/a	n/a	Eric Wong; Cj Lee	Wheelock	0020.HK
14.0%				89%	44%									Sector Average
TELECOMMUNICATIONS														
30%	cash	178.00	40%	38%	52%	45%	0.46	26%	0.33	11.53	8.60	Jinjin Wang, CFA	China Mobile	0941.HK
11%	59%	20.00	-10%	0%	-3%	-2%	-8.69	3%	0.01	4.67	4.54	Jinjin Wang, CFA	China Netcom	0906.HK
9%	38%	5.20	3%	10%	1%	5%	3.02	8%	0.09	5.36	4.73	Jinjin Wang, CFA	China Telecom	0728.HK
9%	cash	20.00	25%	16%	33%	24%	1.00	11%	0.25	5.83	5.08	Jinjin Wang, CFA	China Unicom	0762.HK
11%	n/a	10.40	30%	-20%	79%	19%	1.13	n/a	n/a	n/a	n/a	Jinjin Wang, CFA; Hui Dong	China Unicom-A	600050.SS
43%	cash	75.00	32%	78%	50%	63%	1.09	60%	0.40	63.01	39.48	George Chu, CFA; Hui Dong	Ctrip	CTRP.O
5%	cash	12.80	13%	nm	nm	209%	2.22	-9%	nm	8.13	8.11	Shirley Tse, CFA	HTIL	2332.HK
nm	nm	5.29	8%	34%	6%	19%	1.31	4%	0.03	7.69	7.66	Shirley Tse, CFA	PCCW	0008.HK
n/a	n/a	14.00	96%	51%	19%	34%	0.74	25%	0.74	2.53	1.72	George Chu, CFA; Hui Dong	Qiao Xing Mobile	QXN.L
7%	cash	7.80	0%	125%	34%	74%	0.91	6%	-0.31	2.36	2.80	Shirley Tse, CFA; Wenlin Li	SmarfOne	0315.HK
15%	27%	45.00	13%	72%	68%	70%	0.66	32%	0.01	16.41	10.22	George Chu, CFA; Jinjin Wang, CFA	ZTE	0763.HK
16%				40%	34%									Sector Average
CONGLOMERATES														
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Pending Reassignment
9%	18%	31.00	21%	12%	7%	9%	3.10	-2%	0.20	16.18	15.45	Erica Poon Werkun, CFA; David Lau	Citic Pacific	0267.HK
nm	cash	8.14	49%	nm	nm	nm	n/a	208%	nm	11.57	17.01	Grant Chum	Galaxy Entertainment	0027.HK
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Pending Reassignment
34%	46%	32.50	14%	19%	35%	26%	1.41	29%	0.23	25.70	20.20	David Lepper	Hutchison	0013.HK
0%	cash	12.60	2%	nm	nm	nm	n/a	30%	nm	215.92	88.33	Gary Ngan; Grant Chum	Melco International	0200.HK
nm	cash	12.90	-4%	nm	nm	nm	n/a	433%	nm	-68.81	40.87	Grant Chum; Robin Farley; Gary Ngan	Melco PBL	MPELO
12%	cash	n/a	n/a	31%	42%	36%	0.35	15%	0.33	14.03	8.54	Vicky Chen	Shanghai Industrial	0363.HK
7%	18%	175.70	94%	27%	4%	15%	1.28	1%	0.17	25.98	21.71	Eric Wong; Cj Lee	Swire Pacific	0019.HK
12%				22%	22%									Sector Average
UTILITIES														
7%	cash	45.50	38%	114%	41%	74%	0.43	34%	0.48	7.92	7.53	Christopher Wong; Stephen Oldfield; Danny Huang	Beijing Enterprises	0392.HK
21%	39%	1.04	100%	81%	26%	51%	0.32	16%	0.03	6.22	5.07	Jaj Singh	Bio-Treat	BIOT.SI
12%	73%	3.10	48%	22%	82%	49%	0.87	59%	0.38	20.25	14.72	Christopher Wong; Stephen Oldfield; Danny Huang	China Gas	0384.HK
4%	76%	2.40	-7%	-33%	3%	-17%	-1.16	22%	-0.09	17.54	12.58	Stephen Oldfield; Christopher Wong; Danny Huang	China Power Intl	2380.HK
13%	76%	27.00	63%	28%	6%	17%	1.16	69%	0.34	13.95	14.49	Stephen Oldfield; Christopher Wong; Danny Huang	China Resources Pwr	0836.HK
15%	77%	68.00	8%	-1%	0%	0%	-107.13	15%	0.02	10.49	11.30	Stephen Oldfield; Christopher Wong; Danny Huang	CLP Holdings	0002.HK
14%	43%	14.40	5%	21%	45%	33%	0.87	14%	0.10	16.71	14.27	Stephen Oldfield; Christopher Wong; Danny Huang	CYPC	609000.SS
9%	226%	6.60	48%	20%	-19%	-2%	-9.16	40%	0.25	9.21	10.41	Stephen Oldfield; Christopher Wong; Danny Huang	Datang Int'l Power A	0991.HK

Table 7: UBS's Hong Kong/China universe valuation (cont'd)

Reuters code	Name	Rating	Price* (HK\$)	YTD%	Av. daily		2005 P/B	2006 P/B	2007E P/B	2005 PE	2006 PE	2007E PE	2006 Div yld	2007E Div yld	2006 ROE	
					Mkt Cap (US\$m)	T/O (US\$m)										
TRANSPORTATION / INFRASTRUCTURE																
0753.HK	Air China	Sell (CBE)	5.97	-48.6%	9,935	37.6	1.32	2.69	1.74	50.8	26.5	34.1	1.0%	1.8%	9%	
0995.HK	Anhui Expressway	Neutral (CBE)	5.51	-23.7%	1,174	1.1	1.63	1.77	1.43	11.5	18.9	12.4	3.1%	4.0%	8%	
600012.SS	Anhui Expressway - A	Neutral	6.45	-30.0%	1,530	3.5	1.84	2.16	1.86	13.0	21.6	14.7	2.0%	3.0%	10%	
0293.HK	Cathay Pacific	Neutral (CBE)	15.34	-24.8%	7,764	20.3	1.29	1.58	1.21	16.5	8.6	15.7	4.1%	3.2%	15%	
1800.HK	CCCC	Buy	17.16	-16.1%	32,679	141.9	3.21	5.03	4.65	31.5	41.8	22.8	0.6%	0.9%	16%	
1919.HK	China COSCO	Buy	18.74	-13.0%	14,781	64.4	1.42	2.92	2.22	28.2	7.3	7.8	0.5%	2.8%	49%	
0670.HK	China Eastern Air	Sell (CBE)	3.49	-54.7%	2,182	8.1	2.19	5.94	1.74	nm	nm	nm	0.0%	0.0%	nm	
1055.HK	China Southern	Sell (CBE)	5.64	-45.1%	3,169	7.1	0.96	1.92	1.69	nm	1788.6	nm	0.0%	0.0%	0%	
2866.HK	CNSL	Buy	3.24	-29.4%	3,890	27.8	0.82	1.37	1.01	15.1	9.5	10.7	1.0%	1.8%	13%	
2880.HK	Dalian Port (PDA)	Suspended	4.18	-29.7%	1,571	1.7	2.02	n/a	n/a	20.9	n/a	n/a	n/a	n/a	n/a	
601006.SS	Daqin Railway	Buy	15.28	-40.4%	28,363	48.1	2.39	5.54	5.21	24.0	32.7	25.3	2.1%	2.7%	17%	
0525.HK	Guangshen Railway	Neutral	4.06	-28.3%	3,695	4.1	0.70	1.29	1.19	30.6	19.6	16.7	2.3%	3.0%	7%	
031333.SS	Guangshen Railway A	Sell	5.92	-37.0%	6,000	20.7	2.23	2.01	1.94	71.7	29.3	26.9	1.5%	1.8%	7%	
0317.HK	Guangzhou Ship, Intl	Buy	24.30	-45.0%	2,469	9.3	2.53	5.08	3.40	24.4	12.4	8.7	2.4%	3.5%	55%	
0737.HK	Hopewell Highway	Neutral	5.92	-11.6%	2,259	0.9	1.59	1.78	1.43	17.8	13.0	8.3	5.2%	8.9%	13%	
0177.HK	Jiangsu Expressway	Neutral	6.69	-21.3%	4,329	8.5	1.73	2.34	2.08	21.6	20.0	16.3	3.8%	5.2%	12%	
600377.SS	Jiangsu Expressway-A	Neutral	7.56	-28.1%	5,448	5.0	1.83	2.73	2.63	22.9	23.8	20.4	3.2%	4.1%	10%	
600650.SS	Jinjiang Investment	Buy	11.70	-32.3%	923	1.9	1.75	n/a	n/a	17.5	n/a	n/a	n/a	n/a	n/a	
0066.HK	MTRCL	Sell	26.90	-6.3%	19,041	45.1	1.20	1.39	1.14	18.1	17.5	29.7	1.7%	1.7%	9%	
0316.HK	OOL	Buy	44.85	-22.3%	3,605	9.7	0.92	1.36	0.79	9.9	6.8	5.9	11.2%	5.0%	15%	
2343.HK	PacBasin	Buy	11.48	-8.7%	2,297	24.7	1.78	3.52	2.78	9.7	8.5	6.1	9.3%	9.3%	48%	
600009.SS	Shanghai Int Airport	Sell	23.71	-36.8%	6,535	41.3	2.66	n/a	n/a	23.1	n/a	n/a	n/a	n/a	n/a	
600320.SS	Shanghai Zhenhua-A	Buy (UR)	18.41	-11.3%	7,529	26.7	6.10	4.95	4.06	22.6	24.4	17.2	0.9%	1.4%	25%	
0716.HK	Singamas	Buy (CBE)	2.46	-27.4%	222	1.0	1.73	1.38	0.69	13.9	5.9	5.3	2.6%	5.9%	14%	
600270.SS	Sinotrans Air Trans	Suspended	14.00	-29.0%	1,813	6.3	2.39	2.49	2.29	10.4	22.1	20.1	1.6%	1.8%	14%	
0598.HK	Sinotrans Limited	Buy	2.34	-32.0%	1,277	2.6	1.52	1.16	1.03	19.8	11.9	9.0	2.9%	3.8%	10%	
600125.SS	Tielong Logistics	Sell	8.70	-33.8%	967	7.2	3.33	4.74	4.33	28.1	25.0	19.7	0.8%	1.5%	21%	
000338.SZ	Weichai Power-A	Sell	63.99	-26.1%	4,766	0.0	n/a	6.70	5.41	n/a	15.4	19.3	1.3%	1.0%	50%	
2338.HK	Weichai Power-H	Neutral	32.00	-43.8%	2,140	6.6	1.93	1.80	1.52	13.2	7.2	8.8	3.3%	2.8%	34%	
YAZG.SI	Yangzijiang	Buy	0.94	-53.0%	2,281	25.1	n/a	7.89	2.58	n/a	16.9	10.3	1.1%	2.8%	39%	
0576.HK	Zhejiang Expressway	Buy	7.41	-40.6%	4,134	11.9	1.84	2.58	2.06	16.1	13.0	12.7	3.8%	5.6%	19%	
Sector Average					-30.8%	188,227	620.4	1.96	3.08	2.29	22.3	83.3	15.6	2.6%	3.2%	20%
RETAILS & HOTELS																
0330.HK	Esprit	Buy	89.95	-22.5%	14,234	61.4	7.86	8.19	7.84	28.5	21.6	17.6	4.0%	4.1%	49%	
0709.HK	Giordano	Neutral	3.17	-15.2%	607	4.6	3.10	2.92	2.45	30.9	16.0	14.6	5.7%	7.1%	15%	
0393.HK	Glorious Sun	Neutral	4.01	-14.7%	551	1.1	2.21	2.32	2.26	14.2	14.2	13.2	4.2%	4.3%	15%	
0493.HK	Game	Buy	17.50	-11.6%	7,462	20.7	3.89	8.61	6.17	26.3	35.0	25.8	1.1%	1.9%	28%	
000978.SZ	Guilin Tourism	Neutral	16.60	-29.0%	420	1.3	3.35	7.10	2.36	43.6	55.3	28.7	0.0%	1.4%	12%	
0045.HK	HK & Shanghai Hotels	Buy	12.62	-7.9%	2,317	2.3	0.79	0.86	0.84	24.8	21.6	18.1	1.4%	1.6%	4%	
600054.SS	Huangshan Tourism A	Neutral	23.63	-25.3%	1,536	4.7	4.09	n/a	n/a	36.9	n/a	n/a	n/a	n/a	n/a	
900942.SS	Huangshan Tourism B	Buy	2.04	-26.3%	927	0.8	2.81	5.74	4.85	29.5	40.5	24.6	0.9%	1.6%	17%	
2006.HK	Jin Jiang Int Hotels	Buy	2.33	-27.2%	1,366	2.0	1.71	1.16	1.15	43.9	32.0	21.2	2.0%	1.9%	4%	
1212.HK	Lifestyle	Buy	15.84	-24.6%	3,468	6.6	3.19	3.03	5.01	9.9	11.8	21.1	2.7%	1.4%	27%	
002033.SZ	Lijiang Tourism	Suspended	21.20	-23.7%	301	2.0	3.04	5.46	4.85	27.8	31.5	28.5	0.0%	1.4%	18%	
MOI.LI	Mandarin Oriental	Buy	2.00	-15.3%	1,937	1.0	1.14	1.79	1.68	35.8	22.7	21.1	2.0%	2.3%	8%	
0304.HK	Peace Mark	Buy	7.47	-40.5%	993	8.0	1.50	2.89	n/a	31.5	25.3	n/a	2.0%	n/a	18%	
0589.HK	Ports Design	Buy (CBE)	21.45	-21.1%	1,523	4.9	7.24	12.42	10.52	38.1	29.9	23.9	4.3%	2.4%	43%	
0178.HK	Sa Sa International	Buy	2.81	-11.9%	494	0.8	4.82	3.82	4.12	22.3	18.9	16.7	6.3%	6.3%	22%	
0069.HK	Shangri-La Asia	Buy	21.50	-12.2%	7,958	8.5	1.84	1.84	1.67	43.8	31.6	24.7	1.2%	1.4%	7%	
0321.HK	Texwina	Neutral	5.36	-23.5%	913	1.3	2.72	2.16	2.01	14.9	11.4	10.4	5.1%	5.7%	20%	
Sector Average					-20.7%	47,008	131.2	3.25	4.39	3.85	29.6	26.2	20.7	2.7%	3.0%	19%
CONSUMER, FOOD & BEVERAGES																
2300.HK	AMVIG	Buy	8.69	-21.0%	1,091	0.8	2.21	2.05	1.86	14.3	18.8	13.9	1.8%	2.7%	13%	
2020.HK	Anta	Buy	8.57	-20.9%	2,344	4.8	n/a	4.03	4.22	n/a	37.1	25.6	1.0%	1.3%	21%	
1880.HK	Belle International	Buy	8.39	-28.8%	9,098	20.1	n/a	6.39	4.49	n/a	38.7	26.9	0.7%	1.2%	23%	
1886.HK	China Huiyuan Juice	Buy	5.45	-33.2%	1,013	1.9	n/a	2.77	1.49	n/a	24.2	16.9	1.2%	1.5%	10%	
2319.HK	China Mengniu	Buy	20.50	-28.3%	3,604	25.9	5.04	7.67	4.94	39.7	30.1	22.6	0.5%	0.8%	23%	
1068.HK	China Yurun Food	Buy	10.60	-18.3%	1,977	5.5	3.80	4.07	3.17	23.8	21.9	15.9	1.2%	1.6%	24%	
000651.SZ	Gree	Buy	41.00	-16.9%	4,723	19.6	2.19	8.45	5.28	15.2	26.4	20.1	0.8%	1.0%	36%	
1169.HK	Haier Electronics	Buy	1.20	-27.7%	286	0.1	7.25	2.53	2.03	301.5	15.3	11.3	1.2%	1.5%	19%	
HGUO.SI	Honggou Int'l	Buy	0.54	-41.9%	158	0.4	3.00	4.53	1.80	20.3	9.8	7.1	1.3%	3.4%	24%	
0046.HK	Kashi International	Neutral (CBE)	1.84	-35.3%	129	2.7	6.81	n/a	n/a	13.5	14.4	11.2	4.2%	4.3%	15%	
1170.HK	Kingmaker	Buy	0.97	-19.8%	82	0.0	1.65	0.91	0.92	11.5	18.8	11.4	3.2%	4.4%	5%	
600519.SS	Kweichow Moutai	Buy	178.50	-22.4%	24,098	36.5	7.18	15.07	15.28	43.6	59.5	41.3	0.8%	0.8%	40%	
000568.SZ	Luzhou Laojiao	Buy	60.00	-18.4%	7,479	16.3	4.61	14.91	14.35	65.6	67.6	33.7	1.2%	1.5%	32%	
3368.HK	Parkson Retail	Suspended	65.45	-30.3%	4,674	17.7	6.40	11.02	n/a	46.3	46.2	n/a	1.0%	n/a	31%	
0210.HK	Prime Success	Buy	4.05	-30.1%	852	1.8	8.89	5.35	4.07	40.6	17.4	13.4	1.3%	1.8%	35%	
600690.SS	Qingdao Haier	Buy	13.38	-40.4%	2,562	20.7	1.03	2.81	2.58	35.1	26.5	21.4	1.1%	1.5%	11%	
RLSE.SI	Raffles Education	Restricted	1.13	-25.7%	1,894	2.9	24.00	11.62	n/a	56.2	48.8	n/a	2.2%	n/a	50%	
000895.SZ	Shuanghui	Neutral	35.98	-39.0%	2,643	13.8	6.61	11.19	9.69	35.1	36.8	32.2	2.1%	2.6%	27%	
002024.SZ	Suning	Sell	54.20	-24.6%	11,176	25.5	5.17	17.85	12.38	22.7	60.8	40.4	0.0%	0.0%	34%	
1223.HK	Symphony Holdings	Buy (UR)	0.54	-35.7%	121	0.1	1.16	0.67	0.66	14.5	9.6	8.7	8.2%	7.2%	7%	
000859.SS	Wangjiang	Buy	36.60	-27.5%	2,057	6.6	2.41	n/a	n/a	108.5	n/a	n/a	n/a	n/a	n/a	
000858.SZ	Wuliangye	Suspended	24.15	-46.9%	13,113	88.1	3.97	9.96	8.74	37.8	51.3	43.0	0.8%	0.9%	19%	
600887.SS	Yili Industrial	Buy	20.71	-29.4%	1,530	24.6	3.64	3.55	3.27	40.3	33.0	31.0	0.6%	0.7%	11%	
0551.HK	Yue Yuen Industrial	Buy	25.00	-10.7%	5,343	9.4	2.21	2.24	1.98	14.9	15.4	13.5	3.3%	3.7%	16%	
Sector Average					-24.1%	103,134	344.9	4.81	6.65	5.10	46					

Table 7: UBS's Hong Kong/China universe valuation (cont'd)

2007E ROE	Net debt/Equity	Price Target	Target Return	EPS Growth		CAGR 05-07E	Sales CAGR		Net Profit CAGR		EVEBITDA (x) 2006	2007E Analyst	Reuters code
				2006	2007E		PE/ CAGR	CAGR 04-06	CAGR 04-06				
TRANSPORTATION / INFRASTRUCTURE													
5%	125%	4.00	-33%	172%	-22%	45%	1.12	20%	0.30	12.19	11.30	Damien Horh	Air China 0753.HK
12%	21%	6.29	14%	-47%	52%	-10%	-1.15	9%	-0.14	7.17	7.44	Henry Wu; Mandy Ou	Anhui Expressway 0995.HK
14%	41%	9.11	41%	-30%	59%	5%	2.52	7%	-0.10	10.03	9.46	Henry Wu	Anhui Expressway - A 600121.SS
8%	28%	17.00	11%	54%	-45%	-8%	-1.99	22%	0.45	5.67	7.54	Damien Horh	Cathay Pacific 0293.HK
22%	6%	27.70	61%	68%	84%	76%	0.42	40%	1.19	19.57	12.55	Edmond Huang, CFA; Sidong Tian, CFA	CCCC 1800.HK
31%	17%	27.00	44%	1327%	-7%	265%	0.11	71%	1.13	4.73	3.77	Alex Chang	China COSCO 1919.HK
nm	1510%	2.50	-28%	nm	nm	nm	n/a	30%	nm	13.25	10.37	Damien Horh	China Eastern Air 0670.HK
nm	361%	4.00	-29%	nm	nm	nm	n/a	25%	nm	10.51	10.27	Damien Horh	China Southern 1055.HK
9%	cash	3.80	17%	279%	-11%	84%	0.18	22%	-0.02	4.20	3.85	Alex Chang	CSCL 2866.HK
n/a	n/a	n/a	n/a	42%	23%	32%	0.65	19%	0.35	14.24	10.76	Henry Wu	Dalian Port (PDA) 2880.HK
20%	cash	23.50	54%	46%	39%	43%	0.57	27%	0.36	19.39	15.58	Richard Wei	Daqing Railway 601006.SS
7%	14%	4.72	16%	20%	17%	18%	1.65	81%	0.55	11.85	9.67	Richard Wei	Guangshen Railway 0525.HK
7%	14%	6.60	11%	112%	17%	58%	1.24	83%	0.60	18.54	14.90	Richard Wei	Guangshen Railway A 601333.SS
46%	cash	53.20	119%	274%	42%	131%	0.19	42%	1.76	19.12	12.87	Hubert Tang, CFA; Robin Xu	Guangzhou Ship. Int'l 0317.HK
18%	12%	6.71	13%	21%	57%	38%	0.47	19%	0.26	6.43	6.94	Henry Wu; Mandy Ou	Hopewell Highway 0737.HK
13%	49%	7.11	6%	47%	22%	34%	0.63	61%	0.63	11.01	10.03	Henry Wu; Mandy Ou	Jiangsu Expressway 0177.HK
12%	44%	8.06	7%	48%	26%	36%	0.63	63%	0.58	13.50	12.05	Henry Wu	Jiangsu Expressway-A 600377.SS
n/a	n/a	19.20	64%	26%	18%	22%	0.80	-28%	0.17	13.25	10.46	Richard Wei	Jinjiang Investment 600650.SS
4%	42%	26.80	0%	42%	-41%	-8%	-2.13	8%	0.19	32.51	24.42	Eric Wong	MTRCL 0066.HK
14%	8%	75.00	67%	32%	15%	23%	0.43	14%	-0.05	5.10	4.85	Alex Chang	OOL 0316.HK
50%	11%	20.00	74%	166%	40%	93%	0.10	59%	0.68	6.94	4.92	Alex Chang	PacBasin 2343.HK
n/a	n/a	18.00	-24%	20%	-15%	1%	24.20	16%	0.18	26.44	18.93	Damien Horh	Shanghai Int'l Airport 600009.SS
25%	60%	31.10	90%	36%	53%	44%	0.51	36%	0.37	18.61	12.73	Sidong Tian, CFA	Shanghai Zhenhua A 600320.SS
14%	108%	4.20	71%	82%	10%	42%	0.33	36%	-0.21	8.87	7.18	David Lepper	Singamas 0716.HK
12%	cash	n/a	n/a	-12%	18%	2%	4.67	-24%	0.16	99.97	123.20	Richard Wei	Sinotrans Air Trans 600270.SS
12%	cash	4.79	105%	38%	32%	35%	0.56	20%	0.01	3.75	3.40	Richard Wei	Sinotrans Limited 0598.HK
24%	11%	10.34	19%	62%	37%	49%	0.58	79%	0.62	14.85	11.45	Richard Wei	Tielong Logistics 600125.SS
31%	27%	66.65	4%	111%	-14%	35%	n/a	144%	1.76	9.81	10.28	Sidong Tian, CFA	Weichai Power-A 000338.SZ
19%	19%	42.50	33%	114%	-18%	32%	0.41	119%	1.61	6.02	5.39	Sidong Tian, CFA	Weichai Power-H 2338.HK
29%	cash	2.65	182%	77%	78%	78%	n/a	65%	0.80	11.71	4.51	Hubert Tang, CFA; Robin Xu	Yangzijiang YAZG.SI
17%	cash	9.83	33%	54%	2%	25%	0.63	48%	0.35	5.83	6.76	Henry Wu; Mandy Ou	Zhejiang Expressway 0576.HK
18%				113%	20%								Sector Average
RETAILS & HOTELS													
49%	cash	120.00	33%	37%	23%	30%	0.96	20%	0.27	15.41	12.01	Erica Poon Werkun, CFA	Esprit 0330.HK
17%	cash	3.11	-2%	44%	10%	26%	1.20	6%	-0.15	7.31	7.27	Erica Poon Werkun, CFA	Giordano 0709.HK
18%	cash	4.00	-1%	11%	3%	9%	1.51	10%	0.11	5.82	5.22	Erica Poon Werkun, CFA	Glorious Sun 0393.HK
29%	cash	24.89	42%	115%	36%	71%	0.37	64%	#N/A	12.99	8.29	Randy Zhou; Erica Poon Werkun, CFA	Gome 0493.HK
13%	31%	24.60	48%	24%	108%	60%	0.72	15%	0.24	36.24	13.47	Richard Wei	Gullin Tourism 000978.SZ
5%	7%	19.90	58%	10%	20%	15%	1.67	18%	0.27	13.47	11.34	CJ Lee; Eric Wong	HK & Shanghai Hotels 0045.HK
n/a	n/a	26.90	14%	37%	51%	44%	0.84	22%	0.68	33.75	23.98	Richard Wei	Huangshan Tourism A 600054.SS
21%	cash	3.29	61%	32%	65%	48%	0.62	22%	4.81	19.75	13.32	Richard Wei	Huangshan Tourism B 900942.SS
5%	cash	3.40	46%	-14%	51%	14%	3.21	8%	0.06	7.07	9.77	CJ Lee; Eric Wong	Jin Jiang Int'l Hotels 2006.HK
26%	7%	28.60	81%	33%	-44%	-14%	-0.72	20%	0.39	18.42	16.20	Randy Zhou; Erica Poon Werkun, CFA	Lifestyle 1212.HK
18%	cash	n/a	n/a	49%	19%	33%	0.84	26%	0.38	23.25	15.63	Richard Wei	Lijiang Tourism 002033.SZ
8%	26%	2.10	5%	89%	8%	43%	0.84	14%	0.49	14.23	12.72	CJ Lee; Eric Wong	Mandarin Oriental 0010.SI
n/a	50%	13.50	81%	34%	35%	34%	0.92	25%	0.56	13.44	9.64	David Lepper; Tyrann Kam	Peace Mark 0304.HK
46%	cash	23.91	11%	61%	25%	42%	0.91	31%	0.61	25.85	18.50	Erica Poon Werkun, CFA	Ports Discovery 0509.HK
24%	cash	3.10	10%	28%	13%	20%	1.11	12%	0.03	9.88	8.59	Erica Poon Werkun, CFA	Sa Sa International 0178.HK
8%	23%	21.80	1%	48%	28%	38%	1.16	21%	0.48	23.84	16.23	CJ Lee; Eric Wong	Shangri-La Asia 0049.HK
20%	26%	6.40	19%	30%	9%	19%	0.77	7%	0.16	7.09	5.86	Erica Poon Werkun, CFA	Texwinca 0321.HK
20%				39%	27%								Sector Average
CONSUMER, FOOD & BEVERAGES													
14%	18%	12.40	43%	25%	35%	30%	0.48	136%	0.44	18.23	11.45	David Lepper	AMVIG 2300.HK
17%	cash	10.87	27%	190%	45%	105%	n/a	127%	2.29	28.22	15.94	David Lau; Erica Poon Werkun, CFA	Anta 2020.HK
18%	cash	10.87	30%	51%	44%	47%	n/a	170%	1.77	27.89	18.62	David Lau; Erica Poon Werkun, CFA	Belle International 1880.HK
9%	3%	8.70	60%	51%	43%	47%	n/a	44%	0.79	14.12	9.62	Erica Poon Werkun, CFA; David Lau	China Huiyuan Juice 1886.HK
23%	cash	30.60	49%	32%	33%	33%	1.21	46%	0.49	15.00	11.69	Lei Chen; Erica Poon Werkun, CFA	China Mengniu 2319.HK
23%	cash	16.00	51%	61%	37%	49%	0.49	36%	0.44	15.07	10.24	Lei Chen; Erica Poon Werkun, CFA	China Yurun Food 1068.HK
31%	cash	71.80	75%	110%	42%	72%	0.21	54%	0.66	16.57	10.86	Randy Zhou; Erica Poon Werkun, CFA	Gree 000651.SZ
20%	cash	2.38	98%	812%	35%	251%	1.20	27%	0.15	5.91	4.25	Randy Zhou; Erica Poon Werkun, CFA	Haier Electronics 1169.HK
28%	cash	1.38	156%	28%	50%	39%	0.52	37%	0.30	8.16	5.37	Erica Poon Werkun, CFA; David Lau	Hongguo Int'l HGUO.SI
n/a	n/a	1.15	10%	1%	13%	7%	2.04	1%	-0.42	6.27	5.43	David Lepper	Kasen International 0496.HK
8%	cash	1.05	8%	-40%	65%	-1%	-22.84	-10%	-0.38	5.12	5.01	Tyrann Kam; David Lepper	Kingmaker 1170.HK
42%	cash	270.00	51%	57%	56%	56%	0.78	45%	0.65	38.79	27.26	Lei Chen	Kweichow Moutai 600519.SS
49%	cash	108.20	80%	142%	117%	129%	0.51	47%	3.26	53.48	31.10	Lei Chen; Lin Zhao	Luzhou Laojiao 000568.SZ
n/a	38%	n/a	n/a	70%	41%	55%	0.84	61%	0.81	25.11	17.28	Randy Zhou; Erica Poon Werkun, CFA	Parkson Retail 3368.HK
34%	cash	7.30	80%	31%	30%	30%	1.33	21%	0.23	10.34	8.19	Erica Poon Werkun, CFA; David Lau	Prime Success 0210.HK
13%	cash	28.26	111%	102%	34%	64%	0.55	31%	0.75	15.32	11.12	Randy Zhou; Erica Poon Werkun, CFA	Qingdao Haier 600690.SS
n/a	cash	n/a	n/a	57%	88%	72%	0.78	50%	0.73	48.63	28.90	Gaurang Bhalal	Raffles Education RLSE.SI
30%	cash	40.00	11%	16%	23%	19%	1.80	31%	0.27	20.33	15.72	Lei Chen; Erica Poon Werkun, CFA	Shuanghui 000895.SZ
36%	cash	59.98	11%	-6%	62%	23%	0.97	57%	0.99	21.31	14.57	Randy Zhou; Erica Poon Werkun, CFA	Suning 002024.SZ
7%	cash	0.95	76%	-15%	11%	-3%	-5.25	1%	-0.27	1.46	1.12	Tyrann Kam; David Lepper	Symphony Holdings 1223.HK
n/a	n/a	50.90	39%	155%	70%	108%	1.00	34%	1.92	23.43	15.71	Randy Zhou; Erica Poon Werkun, CFA	Wangfujing 600859.SS
22%	cash	8.45	53%	15%	29%	42%	2.18	17%	0.49	33.42	26.18	Lei Chen	Wuliangye 000858.SZ
12%	cash	33.00	59%	0%	15%	7%	5.48	32%	0.18	9.99	8.05	Lei Chen; Erica Poon Werkun, CFA	Yili Industrial 600887.SS
16%	27%	28.00	12%	-2%	14%	6%	2.59	14%	0.08	9.52	8.46	David Lepper	Yue Yuen Industrial 0551.HK
23%				78%	42%								Sector Average
Other													
25%	cash	10.00	35%	3%	51%	24%	0.68	40%	0.33	10.26	6.59	George Chu; CFA	AAC Acoustic Tech 2018.HK
6%	cash	7.40	10%	5%	-21%	-9%	-2.49	12%	0.16	11.68	15.48	Damien Horh	Beijing Airport 0694.HK
n/a	20%	n/a	n/a	66%	8%	34%	0.11	88%	0.95	3.11	3.91	David Lepper	BYD 1211.HK
n/a	cash	6.65	82%	14%	14%	14%	0.77	7%	0.07	4.97	4.22	David Lepper; Tyrann Kam	Chen Hsong 0057.HK
10%	cash	8.82	35%	19%	70%	42%	n/a	57%	1.22	10.74	7.85	Sidong Tian, CFA	China Nat'l Materials 1893.HK
28%	49%	12.25	90%	-4%	47%	19%	0.84	46%	0.70	10.44	7.38	Sidong Tian, CFA	CIMH 3339.HK
9%	cash	n/a	n/a	77%	33%	54%	n/a	29%	1.86	18.18	13.35	Edmond Huang, CFA; Robin Xu	CREC - A 601390.SS
9%	cash	n/a	n/a	18%	60%	37%	n/a	30%	1.83	17.66	12.02	Edmond Huang, CFA; Robin Xu	CREC - H 0390.HK
13%	cash	18.40	166%	-23%	44%	5%	5.71	24%	0.27	13.70	8.51	Sidong Tian, CFA	CSR Times Electric 3898.HK
23%	cash	13.40	22%	5%	8%	7%	5.00	33%	0.41	7.97	6.82	Arthur Hsieh	FIH 2038.HK
17%	3												

Table 7: UBS's Hong Kong/China universe valuation (cont'd)

Reuters code	Name	Rating	Price*		Av. daily Mkt Cap (-1m) T/O		2005 P/B	2006 P/B	2007E P/B	2005 PE	2006 PE	2007E PE	2006 Div yld	2007E Div yld	2006 ROE
			(HK\$)	YTD%	(US\$m)	(US\$m)									
HEALTHCARE															
SSRX.O	3SBio	Buy	8.82	-40.7%	192	0.3	n/a	1.50	1.34	n/a	17.9	15.3	0.0%	0.0%	16%
600085.SS	BJ Tongrentang (G)	Sell	21.04	-39.7%	1,306	8.0	2.75	n/a	n/a	47.8	n/a	n/a	n/a	n/a	n/a
600267.SS	Hisun Pharma (G)	Sell (CBE)	17.67	-1.2%	1,136	10.4	2.12	n/a	n/a	30.1	n/a	n/a	n/a	n/a	n/a
600521.SS	Huahai Pharma (G)	Sell	20.03	-22.0%	659	4.4	3.02	n/a	n/a	28.3	n/a	n/a	n/a	n/a	n/a
MR.N	Mindray	Buy	33.30	-22.5%	3,521	1.7	7.71	8.90	7.90	60.9	48.6	31.2	0.6%	0.7%	24%
600535.SS	Tasly (G)	Sell (CBE)	16.84	-23.5%	1,175	5.2	2.70	n/a	n/a	21.4	n/a	n/a	n/a	n/a	n/a
8069.HK	Tong Ren Tang Tech	Suspended	10.82	-25.4%	274	0.4	2.68	n/a	n/a	15.7	n/a	n/a	n/a	n/a	n/a
TCM.N	Tongjitang	Buy	8.41	-14.6%	281	0.0	n/a	1.54	1.24	10.8	8.8	0.0%	0.0%	0.0%	22%
WX.N	WuXi PharmaTech	Buy	20.94	-28.4%	1,288	0.8	n/a	7.32	3.33	n/a	45.3	29.8	0.0%	0.0%	nm
1889.HK	Wuyi Pharmaceutical	Buy	1.19	-15.6%	261	0.2	n/a	1.82	1.37	n/a	7.3	7.7	2.4%	2.9%	36%
000538.SZ	Yunnan Baiyao (G)	Sell (CBE)	27.95	-19.4%	1,935	6.8	8.71	n/a	n/a	43.6	n/a	n/a	n/a	n/a	n/a
Sector Average				-23.0%	12,029	38.1	4.24	4.22	3.04	35.4	26.0	18.5	0.6%	0.7%	24%
TECHNOLOGY															
0522.HK	ASM Pacific Tech.	Restricted	53.05	-7.5%	2,650	4.7	6.23	n/a	n/a	14.6	n/a	n/a	n/a	n/a	n/a
BIDU.O	Baidu	Neutral	288.81	-27.6%	10,025	587.1	14.48	33.57	21.96	101.2	118.9	68.5	0.0%	0.0%	38%
0285.HK	BYD Electronic	Buy	10.14	-32.8%	2,960	1.4	n/a	4.84	2.67	n/a	20.0	12.4	0.0%	0.0%	34%
3336.HK	Ju Teng	Buy	2.69	13.5%	346	0.6	1.08	1.29	1.02	6.7	6.6	5.1	0.0%	0.0%	23%
0992.HK	Lenovo Group	Sell	5.20	-25.8%	5,812	20.0	3.90	3.33	5.06	161.4	36.3	16.6	1.4%	0.8%	17%
SNDA.O	Shanda	Buy	28.95	-11.4%	2,055	4.1	3.50	4.25	3.28	22.6	11.6	13.7	0.0%	0.0%	45%
SINA.O	SINA	Neutral	37.41	-15.8%	2,185	8.1	4.09	5.26	4.46	42.0	39.4	30.0	0.0%	0.0%	15%
0981.HK	SMIC	Neutral	0.50	-39.6%	1,158	3.4	0.83	0.41	0.43	nm	nm	nm	0.0%	0.0%	nm
SOHU.OO	Sohu	Sell	49.47	-6.9%	1,929	7.1	5.56	9.84	7.29	35.1	53.3	27.9	0.0%	0.0%	20%
2878.HK	Solomon Systech	Neutral (CBE)	0.45	-32.6%	143	0.4	2.34	0.42	0.40	17.0	12.2	59.8	4.9%	0.0%	3%
0903.HK	TPV Technology	Buy	5.12	-9.5%	930	2.1	1.89	1.05	0.95	9.3	9.7	7.9	4.0%	4.3%	13%
0303.HK	VTech	Buy	41.15	-26.5%	1,265	3.0	2.27	3.80	n/a	11.7	7.1	n/a	9.1%	n/a	56%
Sector Average				-18.5%	31,458	642.1	4.20	6.19	4.75	42.2	31.5	26.9	1.8%	0.5%	26%
OIL & PETROCHEMICAL															
1205.HK	CITIC Resources	Buy	2.88	-37.5%	1,597	3.4	3.87	2.44	1.93	34.4	86.3	11.3	0.0%	0.0%	4%
0883.HK	CNOOC Ltd	Buy	12.12	-8.7%	63,942	221.3	3.75	3.11	2.55	10.4	16.3	11.9	2.8%	3.1%	22%
0135.HK	CNPC (HK)	Buy	3.60	-27.9%	2,231	8.2	1.23	1.13	1.04	12.0	13.4	6.8	4.0%	4.0%	12%
1393.HK	Hidilii Industry	Buy	11.08	-7.5%	2,932	17.3	60.47	5.72	5.17	n/a	33.5	14.6	0.8%	2.1%	22%
0857.HK	PetroChina	Buy	9.98	-28.2%	229,502	315.5	3.05	2.51	2.14	14.2	12.0	11.0	3.6%	4.0%	24%
0386.HK	Sinopec	Buy-Short Term Buy	6.75	-42.7%	75,177	188.0	2.20	1.75	1.45	11.9	9.4	8.2	3.1%	3.5%	22%
Sector Average				-25.4%	375,382	753.7	12.43	2.78	2.38	16.6	28.5	10.6	2.4%	2.8%	18%
AUTO															
600166.SS	Beiqi Foton Motor	Sell	10.20	-22.3%	1,183	7.0	1.36	4.75	3.58	53.4	21.3	18.9	0.9%	1.1%	23%
1114.HK	Brilliance China	Restricted	1.38	-20.7%	650	1.8	0.79	n/a	n/a	nm	n/a	n/a	n/a	n/a	n/a
000625.SZ	Chongqing Changan	Sell (CBE)	9.29	-50.5%	2,585	20.7	1.22	2.37	2.22	18.6	28.3	20.1	1.7%	2.4%	9%
000951.SZ	CNHTC Jinan Truck	Suspended	36.05	-45.6%	1,664	10.6	2.85	6.03	4.03	35.9	18.3	11.1	0.0%	0.0%	40%
0203.HK	Denway Motors	Buy	3.64	-27.3%	3,515	12.3	2.25	2.49	1.97	10.6	12.3	9.9	3.6%	3.5%	21%
0489.HK	Dongfeng Motor	Buy (CBE)	3.89	-29.3%	4,305	11.5	2.02	1.93	1.60	16.1	9.1	8.3	3.3%	3.6%	24%
000800.SZ	FAW Car	Sell	13.04	-31.7%	3,036	19.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
000927.SZ	FAW Tianjin Xiali	Sell (CBE)	7.19	-50.4%	1,641	9.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
600660.SS	Fuyao Glass	Sell	26.25	-26.8%	3,760	12.0	2.67	7.52	6.42	24.1	28.7	22.5	1.9%	1.8%	28%
1122.HK	Qingling Motors	Suspended	1.31	-13.8%	418	0.4	0.44	n/a	n/a	42.0	n/a	n/a	n/a	n/a	n/a
600104.SS	Shanghai Auto	Sell	14.24	-45.8%	6,671	45.8	1.01	3.35	2.32	39.5	20.1	27.1	0.7%	0.7%	13%
1899.HK	Xingda International	Suspended	1.52	-20.4%	260	0.3	2.23	1.56	0.66	15.3	10.6	7.4	0.4%	1.2%	8%
Sector Average				-32.1%	29,687	150.5	1.68	3.75	2.85	28.4	18.6	15.6	1.6%	1.8%	21%
BASIC MATERIALS															
0347.HK	Angang Steel	Buy (CBE)	19.12	-10.4%	18,215	36.1	1.36	2.22	1.90	9.8	15.1	11.0	3.3%	4.6%	20%
000898.SZ	Angang Steel - A	Buy	20.62	-31.7%	17,499	55.5	1.19	2.65	2.37	8.8	16.7	13.1	2.9%	3.7%	20%
0914.HK	Anhui Conch Cement	Buy (CBE)	55.10	-18.8%	11,087	26.8	2.65	5.98	4.50	22.5	34.1	19.4	0.4%	0.8%	24%
600585.SS	Anhui Conch-A	Buy	52.75	-27.6%	11,819	20.1	2.67	6.06	4.78	26.4	33.2	21.0	0.5%	0.7%	25%
600019.SS	Baosteel	Buy	11.97	-31.4%	29,984	147.5	1.01	2.63	2.10	11.6	16.5	10.8	2.6%	3.7%	15%
3983.HK	China BlueChemical	Neutral	4.06	-19.4%	2,415	9.6	2.11	2.21	1.90	10.5	12.5	12.3	2.4%	2.4%	20%
1898.HK	China Coal Energy	Buy	14.90	-39.2%	25,376	78.7	2.78	6.63	3.10	13.5	29.4	18.6	1.2%	1.9%	25%
1088.HK	China Shenhua	Buy	34.65	-25.6%	88,528	166.0	3.65	3.35	2.81	20.0	29.5	19.6	1.3%	1.8%	18%
3323.HK	CNBM	Buy	17.60	-41.4%	4,993	26.1	1.02	4.48	4.26	32.3	44.6	22.0	0.4%	0.8%	11%
0358.HK	Jiangxi Copper	Neutral (CBE)	16.22	-15.3%	6,032	66.5	1.63	2.25	1.87	5.1	9.3	9.6	3.3%	3.2%	30%
000401.SZ	Jidong Cement	Buy	17.01	-18.0%	2,343	9.9	1.65	3.93	4.96	23.9	44.5	23.9	0.9%	1.3%	13%
0323.HK	Maanshan I&S	Neutral	4.27	-17.4%	3,707	11.9	0.90	1.16	1.02	11.5	11.6	9.1	3.5%	4.4%	11%
600808.SS	Maanshan Steel - A	Sell	6.54	-34.9%	6,323	18.7	0.71	1.92	1.77	12.9	18.2	15.4	2.3%	2.6%	11%
000792.SZ	Salt Lake Potash	Buy	90.50	16.2%	9,936	31.9	6.77	33.09	18.86	22.3	73.3	26.4	1.1%	3.0%	45%
0338.HK	Shanghai Petrochem	Suspended	2.69	-44.1%	2,488	7.2	1.47	n/a	n/a	50.5	n/a	n/a	n/a	n/a	n/a
0297.HK	Sinofert	Buy	6.90	-5.2%	5,505	17.0	3.62	3.69	3.13	22.6	39.0	18.9	0.4%	0.8%	14%
600005.SS	Wuhan Steel	Neutral	14.80	-24.9%	16,593	114.9	0.97	3.53	2.79	12.8	16.4	11.9	2.0%	3.0%	25%
1171.HK	Yanzhou Coal	Buy	11.28	-27.0%	7,127	32.7	1.52	2.44	1.98	13.4	17.5	10.2	2.2%	3.7%	15%
1818.HK	Zhaojin Mining	Buy	25.20	-22.6%	2,359	6.9	3.26	3.61	3.56	40.1	47.6	22.0	1.3%	1.4%	10%
Sector Average				-23.1%	272,328	884.0	2.15	5.10	3.76	19.5	28.3	16.4	1.8%	2.4%	20%
MEDIA															
0282.HK	Next Media	Buy	3.10	11.9%	960	0.1	1.55	2.66	n/a	14.4	22.0	n/a	5.8%	n/a	10%
0583.HK	SCMP	Buy	2.74	0.7%	549	0.0	2.56	n/a	n/a	15.1	n/a	n/a	n/a	n/a	n/a
0511.HK	TVB	Suspended	42.30	-9.7%	2,380	2.9	4.18	n/a	n/a	17.5	n/a	n/a	n/a	n/a	n/a
XFML.O	XFM	Suspended	3.05	-49.2%	217	0.6	n/a	1.19	0.49	nm	17.1	13.1	0.0%	0.0%	4%
Sector Average				-24.5%	2,840,949	8,947.3	3.30	4.21	3.29	27.8	35.7	26.1	2.0%	2.2%	19%

Table 7: UBS's Hong Kong/China universe valuation (cont'd)

2007E	Net debt/ ROE	Price Equity	Target Return	EPS Growth		CAGR 05-07E	Sales		Net Profit		EV/EBITDA (x) 2006	2007E Analyst	Reuters Name code
				2006	2007E		PE/ CAGR	CAGR 04-06	CAGR 04-06	2006			
9%	cash	10.22	16%	181%	17%	81%	n/a	38%	1.34	10.35	6.50	Vicky Chen; Janet Sun	HEALTHCARE
n/a	n/a	12.32	-41%	42%	25%	33%	1.45	4%	-0.13	20.99	17.24	Vicky Chen	3SBio S5RX.O
n/a	n/a	5.21	-71%	22%	50%	35%	0.86	20%	-0.07	30.70	23.08	Vicky Chen	BJ Tongrentang (G) 600085.SS
n/a	n/a	15.19	-24%	34%	41%	38%	0.75	36%	0.09	18.68	14.38	Vicky Chen	Hisun Pharma (G) 600267.SS
29%	cash	42.98	29%	75%	56%	65%	0.93	50%	0.77	36.99	22.80	Vicky Chen; Janet Sun	Huahai Pharma (G) 600521.SS
n/a	n/a	9.73	-42%	4%	27%	15%	1.42	40%	0.10	25.00	19.33	Vicky Chen	Mindray MR.N
n/a	n/a	n/a	n/a	11%	17%	14%	1.13	2%	-0.11	7.33	5.74	Vicky Chen	Tasly (G) 600535.SS
16%	cash	13.49	60%	50%	13%	30%	n/a	29%	0.34	7.48	4.52	Vicky Chen	Tong Ren Tang Tech 8069.HK
16%	cash	31.28	49%	263%	40%	126%	n/a	90%	1.24	28.82	17.15	Vicky Chen; Janet Sun	Tongjitang TCM.N
18%	cash	1.68	41%	130%	-5%	48%	n/a	31%	0.58	3.35	3.52	Vicky Chen	WuXi PharmaTech W.X.N
n/a	n/a	17.13	-39%	33%	32%	32%	1.34	33%	0.28	29.35	23.56	Vicky Chen	Wuyi Pharmaceutical 1889.HK
18%				77%	28%								Yunnan Baiyao (G) 000538.SZ
													Sector Average
n/a	n/a	n/a	n/a	8%	15%	11%	1.28	22%	0.21	12.65	11.21	David Lepper	ASM Pacific Tech. 0522.HK
42%	cash	255.00	-12%	119%	73%	95%	1.07	142%	2.78	99.16	60.43	George Chu, CFA; Hui Dong	Baidu BIDU.O
25%	cash	13.00	28%	56%	0%	0%	0.00	0%	0.00	0.00	0.00		BYD Electronic 0285.HK
23%	28%	4.50	67%	106%	28%	62%	0.11	41%	0.46	4.17	3.33	George Chu, CFA	Ju Teng 3336.HK
35%	cash	4.70	-10%	632%	119%	300%	0.54	124%	0.06	15.94	9.51	George Chu, CFA	Lenovo Group 0992.HK
27%	cash	40.00	38%	162%	-15%	49%	0.46	16%	0.47	13.00	10.11	George Chu, CFA; Hui Dong	Shanda SNDA.O
17%	cash	48.00	28%	39%	31%	35%	1.19	13%	0.15	21.62	15.95	George Chu, CFA; Hui Dong	SINA SINA.O
nm	17%	0.68	37%	nm	nm	nm	n/a	15%	nm	2.48	2.75	William Dong	SOHU 0981.HK
30%	cash	42.00	-15%	36%	91%	61%	0.57	32%	0.08	42.51	23.00	George Chu, CFA; Hui Dong	Sohu SOHU.OO
1%	cash	0.52	17%	-49%	-80%	-68%	-0.25	-33%	-0.61	0.87	-2.97	George Chu, CFA	Solomon Systech 2878.HK
14%	30%	5.90	15%	1%	22%	11%	0.88	29%	0.01	4.15	3.71	David Lepper	TPV Technology 0903.HK
n/a	cash	74.00	80%	41%	22%	31%	0.38	20%	0.79	4.70	3.62	David Lepper; Tyrann Kam	VTech 0303.HK
24%				105%	31%								0 tor Average
23%	210%	6.60	129%	-49%	660%	96%	0.36	12%	-0.13	17.85	5.77	Thomas Wong	CITIC Resources 1205.HK
25%	1%	18.80	55%	5%	38%	20%	0.52	14%	0.16	9.12	6.80	Thomas Wong	CNOOC Ltd 0883.HK
21%	cash	5.30	47%	-25%	96%	21%	0.56	18%	-0.32	15.60	7.13	Thomas Wong	CNPC (HK) 0135.HK
37%	cash	19.50	76%	33%	130%	75%	n/a	50%	0.50	30.43	12.38	Ghee Peh; Wei Ouyang	Hidilii Industry 1393.HK
22%	9%	14.20	42%	7%	9%	8%	1.75	26%	0.09	6.73	5.90	Thomas Wong	PetroChina 0857.HK
20%	50%	9.80	45%	19%	14%	16%	0.73	18%	0.25	5.65	5.00	Thomas Wong	Sinopec 0386.HK
25%				-2%	158%								Sector Average
21%	39%	11.39	12%	682%	21%	208%	0.26	43%	nm	12.77	10.60	Henry Wu; Mandy Ou	Beiqi Foton Motor 600166.SS
n/a	n/a	n/a	n/a	nm	820%	nm	n/a	77%	nm	5.21	4.06	Henry Wu; Mandy Ou	Brilliance China 1114.HK
11%	cash	10.23	10%	-13%	52%	15%	1.27	-13%	0.71	47.64	39.15	Henry Wu; Mandy Ou	Chongqing Changan 000625.SZ
44%	98%	n/a	n/a	199%	77%	130%	0.28	69%	1.14	10.49	7.56	Henry Wu; Mandy Ou	CNHTC Jinan Truck 000951.SZ
21%	cash	4.80	32%	0%	24%	12%	0.91	5%	0.11	nm	nm	Henry Wu; Mandy Ou	Dengway Motors 0203.HK
21%	6%	7.91	103%	82%	10%	42%	0.39	26%	0.56	4.24	3.19	Henry Wu; Mandy Ou	Dongfeng Motor 0489.HK
n/a	n/a	1.95	-85%	54%	15%	33%	n/a	8%	0.59	36.51	32.42	Henry Wu; Mandy Ou	FAW Car 000800.SZ
n/a	n/a	2.22	-69%	11%	n/a	n/a	n/a	14%	0.41	47.86	#N/A	Henry Wu; Mandy Ou	FAW Tianjin Xiali 000927.SZ
30%	135%	24.32	-7%	57%	38%	47%	0.51	38%	0.64	28.74	15.20	Henry Wu; Mandy Ou	Fuyao Glass 600660.SS
n/a	n/a	n/a	n/a	64%	49%	56%	0.74	13%	0.82	1.15	0.04	Henry Wu; Mandy Ou	Qingling Motors 1122.HK
9%	cash	10.40	-27%	260%	-20%	70%	0.56	320%	1.13	77.17	50.70	Henry Wu; Mandy Ou	Shanghai Auto 600104.SS
9%	cash	n/a	n/a	-31%	44%	0%	-47.62	13%	0.40	3.33	3.07	Henry Wu; Mandy Ou	Xingda International 1899.HK
21%				124%	103%								Sector Average
19%	cash	25.50	33%	9%	37%	22%	0.44	64%	1.14	7.80	5.77	Hubert Tang, CFA; Yong-suk Son, CFA	Angang Steel 0347.HK
19%	cash	32.80	59%	13%	37%	24%	0.36	64%	1.16	7.48	5.53	Hubert Tang, CFA; Yong-suk Son, CFA	Angang Steel - A 000898.SZ
27%	67%	90.40	64%	41%	76%	57%	0.39	38%	1.63	17.07	11.93	Mick Mi	Anhui Conch Cement 0914.HK
26%	67%	95.80	82%	47%	70%	58%	0.45	38%	1.57	19.11	13.49	Mick Mi	Anhui Conch - A 600585.SS
21%	33%	15.57	30%	2%	65%	30%	0.39	28%	0.04	8.39	5.89	Hubert Tang, CFA; Yong-suk Son, CFA	Baosteel 600019.SS
16%	cash	5.50	35%	8%	2%	5%	2.13	44%	0.45	7.02	7.22	Jimmy Wong; Thomas Wong	China BlueChemical 3983.HK
23%	cash	27.15	82%	35%	58%	46%	0.29	16%	0.37	18.32	9.33	Ghee Peh; Wei Ouyang	China Coal Energy 1898.HK
16%	cash	70.00	102%	25%	51%	37%	0.53	29%	0.21	15.89	10.34	Ghee Peh	China Shenhua 1088.HK
18%	80%	41.00	133%	153%	102%	126%	0.26	49%	0.59	19.59	11.61	Mick Mi	CNBM 3323.HK
21%	0%	18.40	13%	12%	-4%	4%	1.29	63%	0.71	6.78	6.32	Ghee Peh	Jiangxi Copper 0358.HK
21%	115%	35.90	111%	92%	101%	97%	0.25	34%	0.76	23.67	14.84	Mick Mi	Jidong Cement 000401.SZ
13%	81%	4.77	12%	-1%	27%	12%	0.92	30%	-0.06	7.07	4.45	Hubert Tang, CFA; Yong-suk Son, CFA	Maanshan I&S 0323.HK
13%	81%	6.01	-8%	9%	27%	18%	0.74	30%	-0.05	9.99	6.57	Hubert Tang, CFA	Maanshan Steel - A 600808.SS
91%	cash	120.00	33%	23%	199%	92%	0.24	40%	0.41	43.40	15.17	Jimmy Wong; Thomas Wong	Salt Lake Potash 000792.SZ
n/a	n/a	n/a	n/a	562%	11%	171%	0.29	7%	0.77	3.25	3.22	Thomas Wong	Shanghai Petrochem 0338.HK
18%	9%	9.50	38%	24%	106%	60%	0.38	26%	0.26	27.78	16.60	Jimmy Wong; Thomas Wong	Sinofert 0297.HK
26%	29%	16.76	13%	92%	48%	68%	0.19	17%	0.26	9.63	7.32	Hubert Tang, CFA	Wuhan Steel 600005.SS
21%	cash	24.00	113%	37%	72%	54%	0.25	15%	#N/A	8.71	5.69	Ghee Peh	Yanzhou Coal 1171.HK
18%	cash	50.40	100%	37%	117%	72%	0.56	37%	0.59	22.86	13.43	Ghee Peh; Wei Ouyang	Zhaojin Mining 1818.HK
24%				64%	63%								Sector Average
n/a	cash	3.20	3%	nm	22%	-7%	-1.93	5%	0.02	11.67	10.04	David Lepper	Next Media 0282.HK
n/a	n/a	3.45	26%	4%	-12%	-4%	-3.39	5%	0.16	9.13	9.89	David Lepper	SCMP 0583.HK
n/a	n/a	n/a	n/a	20%	9%	15%	1.19	3%	0.17	8.75	8.01	David Lepper	TVB 0511.HK
4%	cash	n/a	n/a	nm	31%	nm	n/a	#N/A	#N/A	6.94	5.02	David Lepper	XFM XFML.O
20%				70%	40%								Sector Average

* Prices as at 9 April 2008

Source: UBS estimates

■ **Statement of Risk**

Stock markets are influenced by several factors, internal and external, that make predictions of market direction inherently difficult. Our stock ratings are based on earnings estimates, which are also subject to changes as a result of shifts in the operating environment of the respective companies.

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	59%	38%
Neutral	Hold/Neutral	34%	35%
Sell	Sell	7%	26%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	67%
Sell	Sell	less than 1%	25%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2008.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

UK and European Investment Fund ratings and definitions are :

Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

Core Banding Exceptions (CBE) : Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Bank of China ^{2c, 4a, 8, 16a, 16b, 22}	3988.HK	Neutral	N/A	HK\$3.57	09 Apr 2008
Bank of China (Hong Kong) ^{2c, 4a, 16a, 16b, 22}	2388.HK	Buy	N/A	HK\$19.30	09 Apr 2008
Bank of Communications ^{16a, 22}	3328.HK	Neutral	N/A	HK\$9.87	09 Apr 2008
Bank of East Asia ^{2c, 4a, 5, 16a, 16b}	0023.HK	Suspended	N/A	HK\$40.85	09 Apr 2008
Cathay Pacific ^{4a, 16a, 16b, 20}	0293.HK	Neutral (CBE)	N/A	HK\$15.72	09 Apr 2008
Cheung Kong ^{2a, 4a, 6, 16a, 16b, 18}	0001.HK	Buy	N/A	HK\$118.90	09 Apr 2008
Cheung Kong Infrastructure ^{16a}	1038.HK	Not Rated	N/A	HK\$32.15	09 Apr 2008
China Life ^{2b, 4b, 16a, 16b, 22}	2628.HK	Neutral	N/A	HK\$29.00	09 Apr 2008
China Mobile (HK) Ltd ^{4b, 16a, 16b, 22}	0941.HK	Buy	N/A	HK\$125.70	09 Apr 2008
China National Offshore Oil Corporation ^{2b, 4a, 16a, 16b, 22}	0883.HK	Buy	N/A	HK\$11.98	09 Apr 2008
China Netcom Corporation ^{16a, 16b}	0906.HK	Sell	N/A	HK\$21.45	09 Apr 2008
China Overseas Land & Investment ^{13, 18, 22}	0688.HK	Buy	N/A	HK\$14.62	09 Apr 2008
China Power International Development ¹³	2380.HK	Sell	N/A	HK\$2.54	09 Apr 2008
China Resources Enterprise	0291.HK	Buy	N/A	HK\$25.15	09 Apr 2008
China Resources Power	0836.HK	Buy	N/A	HK\$17.00	09 Apr 2008
China Shenhua Energy ^{2a, 4a, 8, 13, 16a, 22}	1088.HK	Buy	N/A	HK\$34.25	09 Apr 2008
China Unicom Ltd. ^{16a, 16b}	0762.HK	Buy	N/A	HK\$16.36	09 Apr 2008
Citic Pacific ^{4b, 16a, 16b, 22}	0267.HK	Not Rated	N/A	HK\$33.30	09 Apr 2008
CLP Holdings ^{16a, 16b}	0002.HK	Buy	N/A	HK\$62.50	09 Apr 2008
Dah Sing Banking Group Ltd. ^{2c, 4b}	2356.HK	Buy	N/A	HK\$14.18	09 Apr 2008
Datang International Power - H ^{2b, 16a, 16b}	0991.HK	Buy	N/A	HK\$4.55	09 Apr 2008
Esprit ^{16a}	0330.HK	Buy	N/A	HK\$90.00	09 Apr 2008
Hang Lung Properties ^{2a, 4a, 8, 16b, 18}	0101.HK	Buy	N/A	HK\$29.70	09 Apr 2008
Hang Seng Bank ^{16a, 16b, 22}	0011.HK	Neutral	N/A	HK\$144.50	09 Apr 2008
Henderson Land ^{4b, 8, 16a, 16b, 18}	0012.HK	Buy	N/A	HK\$58.00	09 Apr 2008
Hong Kong & China Gas ^{16a, 16b}	0003.HK	Neutral	N/A	HK\$21.90	09 Apr 2008
Hong Kong Exchanges & Clearing Ltd. ^{12, 16a, 22}	0388.HK	Buy	N/A	HK\$145.80	09 Apr 2008
Hongkong Electric ^{5, 16a, 16b}	0006.HK	Neutral	N/A	HK\$48.70	09 Apr 2008
HSBC Holdings ^{2a, 3, 4a, 6, 8, 16a}	0005.HK	Buy	N/A	HK\$131.00	09 Apr 2008
Huadian Power International - H	1071.HK	Sell	N/A	HK\$2.12	09 Apr 2008
Huaneng Power International - H ^{16a, 16b}	0902.HK	Buy	N/A	HK\$5.70	09 Apr 2008
Hutchison Whampoa ^{4a, 16a, 16b}	0013.HK	Not Rated	N/A	HK\$74.50	09 Apr 2008
Industrial & Commercial Bank of China ^{8, 16a, 22}	1398.HK	Buy	N/A	HK\$5.89	09 Apr 2008
Li & Fung ^{16a}	0494.HK	Neutral	N/A	HK\$28.30	09 Apr 2008
MTR Corporation Limited ^{2b, 4a, 16a, 16b, 18, 22}	0066.HK	Sell	N/A	HK\$26.90	09 Apr 2008
New World Dev ^{2b, 8, 16a, 16b, 18}	0017.HK	Buy	N/A	HK\$19.46	09 Apr 2008
PCCW ^{4b, 5, 16a, 16b}	0008.HK	Neutral	N/A	HK\$4.89	09 Apr 2008
PetroChina ^{2a, 4a, 5, 16a, 16b, 22}	0857.HK	Buy	N/A	HK\$10.26	09 Apr 2008
Ping An Insurance (Group) Co. Ltd. ^{16a, 16b, 22}	2318.HK	Buy	N/A	HK\$63.00	09 Apr 2008
Sino Land ¹⁸	0083.HK	Buy	N/A	HK\$18.18	09 Apr 2008
Sinopec ^{2a, 4a, 5, 16a, 16b, 22}	0386.HK	Buy	Buy	HK\$7.01	09 Apr 2008
Sun Hung Kai P. ^{5, 8, 16a, 16b, 18, 22}	0016.HK	Buy	N/A	HK\$128.50	09 Apr 2008
Swire Pacific ^{4a, 5, 16a, 16b, 18}	0019.HK	Buy	N/A	HK\$91.15	09 Apr 2008
Wharf Holdings ^{2a, 4a, 5, 16a, 18}	0004.HK	Buy	N/A	HK\$36.10	09 Apr 2008

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Yue Yuen Industrial	0551.HK	Buy	N/A	HK\$24.95	09 Apr 2008

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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