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Highlight of the Week:

Dry Bulk Shipping: Misconceptions and Expectations

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Hotel Sector

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Although worries about Europe's credit crisis have eased, BDI suffered a sharp 32% drop in the past month. Investors might associate the drop with assorted negatives such as an anticipated economic slowdown, or a substantial increase in deliveries resulting from a record-high orderbook. Such factors are considered detrimental to bulkers' earnings.

However, we believe there are some common misconceptions about the recent developments. In this report, we will analyze several misconceptions and give our expectations regarding the dry bulk shipping market.

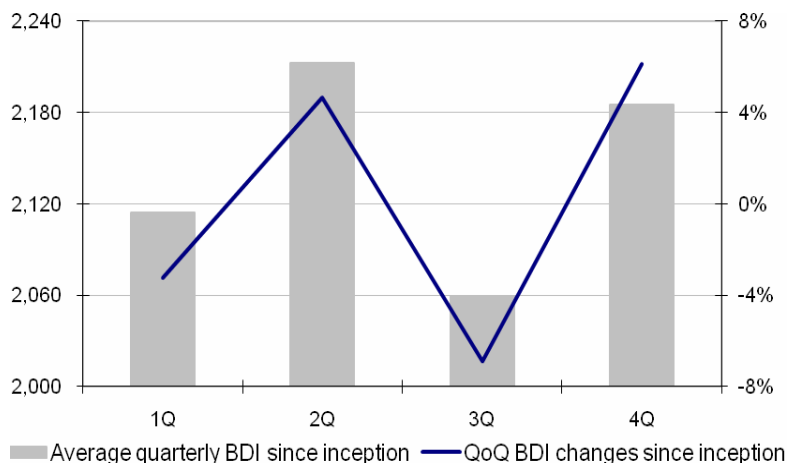
Misconception 1:

Recent downward movement of BDI results from economic slowdown

BDI surged in 1H10 and reached as high as 4,209 points on 26 May. However, it subsequently plunged 36% within 1 month to 2,694 points on 18 June. The drop sparked worries about potential economic slowdown.

Exhibit 1: Over the past 25 years, BDI tended to go down in 3Q

Quarterly average of BDI since inception in 1985



Source: Baltic Exchange

Apart from the substantial iron ore price hike discouraging iron ore demand, seasonality is believed to be a reason for the recent drop. Grain exports from the US Gulf reach a low-point during the summer, to subsequently go up in September when crops are harvested. In addition, higher energy consumption in the Northern Hemisphere during the autumn and early winter, generally lead to a higher level of coal seaborne trade. The implications are that shipping demand is usually lower in 3Q and higher in 4Q, which should be reflected in BDI levels. Based on 25 years of BDI data, freight rates went down 7% on average in 3Q and surged 6% on average in 4Q. Although Economic growth remains the major fundamental driver of BDI, seasonality does also play a role in influencing freight rates.

Misconception 2:

Fleet grows as estimated, and will necessarily push down freight rates

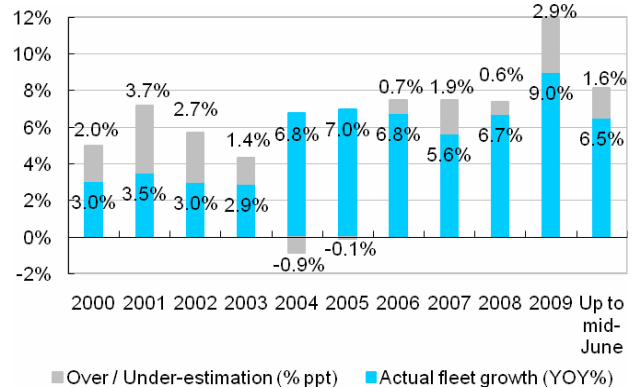
As we pointed out before, there are always discrepancies between forecasted and actual fleet growth in the shipping market. More importantly, we found that the differences were larger during economic downturns, such as the ones seen in 2001, 2002 and 2009, as shown in Exhibit 2.

What we would like to explore are the fundamental reasons for such differences. One of the unique features of the shipping industry is its high transparency. Data of market freight rates, orderbook, deliveries and demolitions are all easily accessible. Thus, bulkers can react to the market situation more effectively. If they foresee significant fleet growth, they might stop ordering new ships, laying up the new-deliveries, and even canceling previous orders in order to purchase second-hand ones in the market.

The implication is if the freight rate is too low to make bulkers profitable, the fleet growth is likely less than expected, which will in turn support the freight rates. Instead of a one-way channel where fleet growth pushes down rates, the lower rates will in fact reduce fleet increase. Therefore, it leads us to believe the record-high orderbook will cap freight rates instead driving it down.

Exhibit 2: Fleet growth tends to be over-estimated during economic downturn

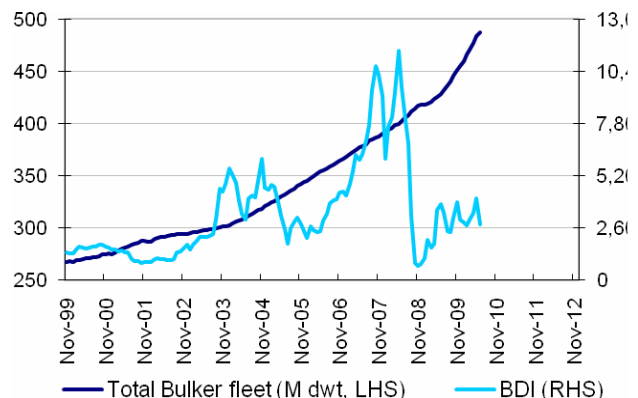
Actual fleet growth and Over / Under-estimation



Source: Clarksons

Exhibit 3: More fleet does not necessarily drive down BDI

Total bulker fleet and BDI



Source: Clarksons and Baltic Exchange

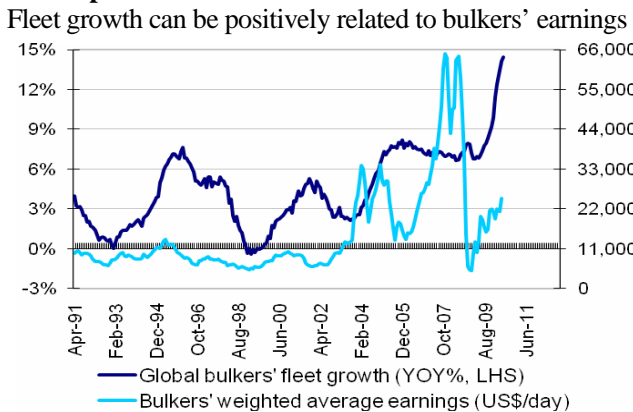
Misconception 3:

Fleet growth will drive down bulkers' earnings

The market generally expected the substantial fleet growth would push down freight rates last year. Lower freight rates lead to a reduction in income, which might in turn lead to a drop in earnings. If such reasoning is correct, rapid fleet growth will likely lead to lower earnings of bulkers. However, this seems inconsistent with results. As illustrated in Exhibit 4, fleet growth was negatively related with earnings for a number of years. Nevertheless, since April 2009, they have been positively related to each other, in spite of the fastest fleet growth in record.

What we can derive from the observation is we can't only consider the supply without taking demand into account. On global economic recovery, demand rebounded from the trough and continues to pick up. The recovering demand will improve the demand / supply balance, which underpins the freight rates and bulkers' earnings.

Exhibit 4: Fleet grew along with bulkers' earnings since Apr 09



Source: Clarksons

Expectations

Strong steel output in major iron ore importing countries

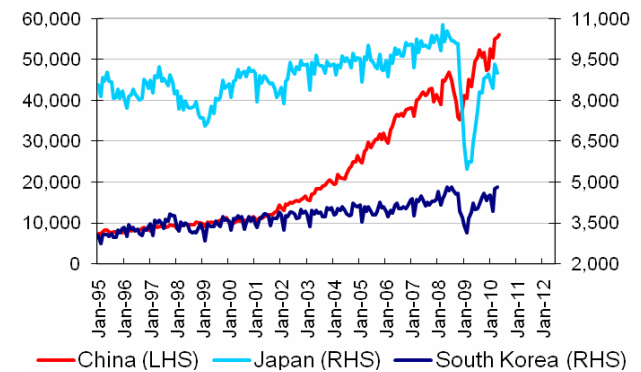
Iron ore accounted for 31% of the total dry bulk trade last year, grabbing the highest share. With insufficient high-quality iron ore reserves, Asian countries such as China, Japan and South Korea heavily rely on iron ore imports to support domestic steel production. These 3 countries represented 84% of the world's iron ore imports, and China alone 68% of the total. Therefore, their steel production momentum has significant impact on iron ore seaborne trade rates and even BDI.

Given China is the largest iron ore importing country, its demand will directly affect freight rates. Although Europe's credit crisis has slowed the pace of the Chinese government's tightening measures on the property market, We believe the determination to stabilize property prices will remain strong. Therefore, the halt of the control does not mean a change in policy direction. Rather, it only gives property developers and still mills more room to breathe.

Nevertheless, in the long-run, China's steel demand is robust considering it is undergoing a rapid urbanization process. And the reliance on foreign iron ore is unlikely to change abruptly. As a result, we are still positive towards China's steel and iron ore import demand.

Exhibit 5: The 3 major iron ore imports countries still have strong steel production

Steel output ('000 tonnes) in China, Japan and South Korea



Source: Bloomberg

Improving dry bulk demand / supply balance

Dry bulk fleet is likely to grow fast this year because of higher freight rates compared with the previous year. As global seaborne trade is picking up, the demand / supply balance is expected to improve. Although we expect a surge of US\$ this year, which adversely affects BDI, we believe the overall differential (Demand growth – Supply growth – US\$ % changes) to be better than last year, underpinning BDI. As shown in Exhibit 8, the trend of the differential has been positively related to the BDI YOY% changes. The pick up in the differential thus leads us to expect BDI to trend higher to average at about 3,271 points this year. While the average BDI ytd is 3,191 points, 2H10 average BDI is expected to be 3,350 points.

We maintain our positive stance on the bulkers on improving fundamentals. Our picks among them are China COSCO (1919) and China Shipping Development (1138), given the former is the world's largest bulker with exposure to liner trade, while the latter engages in dry bulk shipping along the coastal areas of China and is diversifying to oil shipping. Their valuations are not too high, and we maintain **ACCUMULATE and HIGH RISK** ^(read footnotes) for both counters.

Exhibit 6: Differential to pick up this year

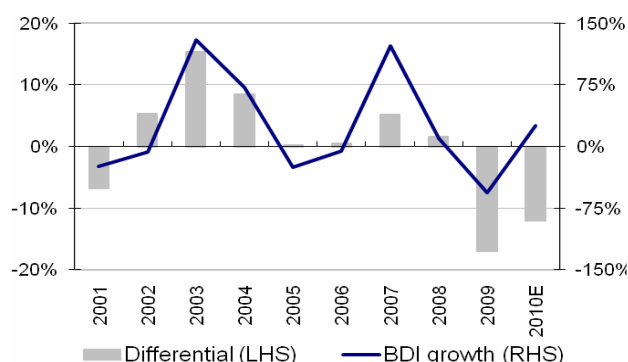
Dry bulk demand growth forecast

	2008	2009	2010E
Dry bulk trade (M dwt)			
Iron ore	841	906	1,006
China	443	615	670
Japan	140	106	122
S.Korea	49	42	52
Others	209	144	161
Total coal	797	798	839
Japan	207	177	191
India	65	76	89
S.Korea	96	101	107
Others	430	445	453
Total grain	323	313	316
Bauxite/Alumina	86	66	78
Phosphate Rock	31	19	21
Minor bulks	979	867	957
Total dry trade	3,057	2,969	3,207
Differential			
Demand growth (YOY%)	3%	-3%	8%
Fleet growth (YOY%)	8%	9%	15%
US\$ growth (YOY%)	-5%	5%	4%
Demand – Fleet – US\$	1%	-17%	-11%
Average BDI	6,390	2,617	3,271

Source: Clarksons, Drewry, and Quam

Exhibit 7: Improving differential will support BDI

We affirm our views of higher BDI this year



Source: Clarksons, Drewry, and Quam

Exhibit 8: Bulkers' valuations are not high

Earnings forecast and P/B of listed bulkers

	Earnings (RMB M)			Price	P/B		
	FY11E	FY10E	FY09	HK\$	FY11E	FY10E	FY09
Sinotrans Shipping (368)	1,343	998	723	3.18	0.7x	0.7x	0.8x
China Shipping Development (1138)	2,765	2,230	1,244	10.76	1.3x	1.3x	1.4x
China COSCO (1919)	5,457	3,209	(7,541)	8.62	1.6x	1.7x	1.8x
Pacific Basin (2343)	1,210	989	750	5.25	0.8x	0.9x	0.9x

Source: Company, Quam estimates

Disclosure: WONG Kin Sing Allen (SFC CE NO:ARE058), the author of this document declares that as at the date of the publication of this report, he doesn't hold an interest in 368, 1138, 1919 and 2343.

Notes On Ratings

- Accumulate:** The share is undervalued and investors may accumulate on weakness to secure more unrealized value. However, if investors already own excessive holdings of this stock, then they might have to reduce their holdings. Despite having the same rating of "accumulate", some stocks might have higher unrealized value than others.
- Hold:** The share is priced close to its value. If investors own excessive holdings of this stock, then they might have to reduce their holdings. Despite having the same rating of "hold", some stocks might have higher unrealized value than others.
- Reduce:** The share is not attractively priced and investors should reduce their exposures
- Low risk:** Earnings predictability is high. Investors may own relatively high exposures of the share.
- Medium risk:** There is a certain degree of earnings predictability. Investors may own controlled exposures of the share. However, if investors own excessive holdings of this stock, then they might have to reduce their holdings.
- High risk:** Earnings predictability is low. Exposure should be strictly controlled. If investors own excessive holdings of this stock, then they should reduce their holdings.

Changes to earnings and recommendations

Sources Quam

Maintain:

Kunming Machine Tool (300):

ACCUMULATE/HIGH RISK \$6.14(24-06-2010)

Economic recovery will boost its product demand. Maintain ACCUMULATE and HIGH RISK.

Wing Hang Bank (302):

ACCUMULATE/MEDIUM RISK \$75.00(24-06-2010)

Loan growth is expected to be supported by the China segment and strong support of SMEs by the Hong Kong government. Maintain ACCUMULATE and MEDIUM RISK.

Meilan Airport (357):

ACCUMULATE/HIGH RISK \$8.75(24-06-2010)

Earnings growth will accelerate after acquiring HNA Airport. Maintain ACCUMULATE and HIGH RISK.

Yue Yuen (551):

ACCUMULATE/MEDIUM RISK \$25.05(24-06-2010)

Sales will be boosted by World Cup. Maintain ACCUMULATE and MEDIUM RISK.

Dynasty Wines (828):

HOLD/HIGH RISK \$3.31(24-06-2010)

Valuation is fair on low earnings growth. Maintain HOLD and HIGH RISK.

CNOOC (883):

ACCUMULATE/HIGH RISK \$13.52(24-06-2010)

Both ASP and sales volume are expected to increase. Maintain ACCUMULATE and HIGH RISK.

Hop Fung Group (2320):

ACCUMULATE/HIGH RISK \$1.53(24-06-2010)

Domestic growth recording higher growth, we believe exports will gradually rebound. Maintain ACCUMULATE and HIGH RISK

Lonking (3339):

ACCUMULATE/HIGH RISK \$5.39(24-06-2010)

Sales volume of wheel-loaders will rebound in 2010. Maintain ACCUMULATE and HIGH RISK.

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Quam Research EXTRA: Meilan Airport (357): Substantial acquisition for growth

ACCUMULATE and MEDIUM RISK (read footnote)

2009 results highlight

With mild growth in throughput, total revenue slightly increased 2.5% YOY, to RMB401M. As the company was entitled to an exemption of income tax during 2008, but only a 50% deduction of tax from 2009 to 2013, net profit decreased to RMB181M, down 3.1% YOY. The company proposed a final dividend of RMB0.2/shr (2008: HK\$0.15).

Throughput maintained growth in 4M10

Meilan Airport's throughput maintained growth in 4M10. Passenger throughput and aircraft movement both increased more than 5% YOY, to 3.5M and 26,378, respectively. Cargo throughput even increased to 63,030 tons, up 14.8% YOY.

Acquisition of HNA Airport

Meilan Airport will purchase 54.5% equity interest in HNA Airport for around RMB2,199.9M. Among which, the company will purchase of 24.5% equity interest in HNA Airport by paying cash of RMB988.9M. For the remaining 30% equity interest, the company will issue 200 million A shares for the payment of RMB1,211M. A special dividend of HK\$0.3955 will be paid to existing H share holders after the issuance of A-share. The acquisition and the A share listing was approved by shareholders on May 31.

Meilan Airport will become a major airport holding company by owning stakes in 9 airports. The acquisition will also eliminate steep competition by taking 37% in its rival, Sanya Phoenix Airport, via HNA Airport's 67% stake. Looking forward, China will build Hainan into an international resort¹. With the consolidation of Sanya Phoenix Airport, the Meilan Airport would benefit from

positive measures.

In 2009, HNA Airport's passenger and cargo throughput rose 30.6% and 31.8% YOY, respectively. Although the number of shares will increase by 42%, Meilan Airport's earnings are expected to increase by more than 50% after the acquisition, and Meilan Airport will enjoy higher earnings growth.

ACCUMULATE and MEDIUM RISK (read footnote)

After accounting for the effect of acquisition, Meilan Airport's EPS might grow 11.6% and 20.7% YOY in 2010 and 2011, respectively. Priced at HK\$8.8, Meilan is trading at **prospective 2010 and 2011 P/Es of 18.3x and 15.2x**, respectively.

In light of the long term growth potential of HNA Airport, 2011 valuation is not demanding. We maintain **ACCUMULATE and MEDIUM RISK** (read footnote) ratings. Major risks include decline in traffic throughput and changes in government aviation and tax policy. **Exposure to this counter should not be excessive.**

Financials

As at 31 December 09, the company held bank deposit and cash & cash equivalents of RMB748.7M. Net cash inflow from operating activities amounted to RMB149.2M, down 35.5% YOY. The decrease might be due to an increase in income tax paid. The company owed short-term bank borrowing of RMB8M and long-term borrowing of RMB4M. As the company will pay RMB988.9M for the acquisition of 24.5% interest in HNA Airport through its internal resource, financials are just fair.

Earnings forecast (RMB M)

	FY11E (with acquisitions**)	FY11E (without acquisitions**)	FY10E	FY09
Revenue	1,326	480	440	401
Gross profit	756	291	267	242
Recurring net profit	340	220	200	181
Recurring EPS (RMB)	0.505	0.465	0.422	0.382
Recurring EPS (HK\$)	0.581	0.534	0.481	0.431
P/E (@HK\$)	15.2	16.5	18.3	20.4
DPS (HK\$)	0.261	0.226	0.250	0.226
Gross profit margin	57.0%	60.6%	60.6%	60.5%
Recurring net profit margin	25.0%	45.8%	45.4%	45.1%

Source: Company results

Income statement (RMB M)

	2H09	1H09	2H08	1H08	09/08
Aeronautical	142	160	132	160	3.1%
Non-aeronautical	48	50	46	53	0.6%
Total revenue	191	210	178	213	2.5%
Cost of services & sales	(94)	(65)	(76)	(73)	6.4%
Gross profit	97	145	102	140	0.1%
Administrative expenses	(35)	(28)	(46)	(26)	-14.5%
Other gains - net	0	0	0	0	-13.3%
Operating profit	63	117	56	114	6.3%
Net finance income	8	3	11	4	-27.3%
Share of loss of an associate	0	(0)	0	0	NA
Profit before tax	70	121	67	118	3.4%
Income tax	2	(13)	1	0	NA
Minority interests	(0)	0	0	(0)	-107.7%
Net profit	72	108	69	118	-3.1%
Gross margin	50.9%	69.1%	57.3%	65.8%	
Operating margin	32.9%	55.9%	31.4%	53.4%	
Net margin	38.0%	51.5%	38.6%	55.3%	

Source: Company results

Revenue breakdown (RMB M)

	2H09	1H09	2H08	1H08	09/08
Aeronautical:					
Passenger charges	58	65	54	62	5.6%
Aircraft movement fees	20	23	19	24	0.9%
Airport fee	46	52	42	55	1.5%
Grand handling services income	18	20	18	19	1.8%
Sub-total	142	160	132	160	3.1%
Non-aeronautical:					
Franchise fee	23	22	22	23	0.7%
Rental	8	7	6	9	-1.5%
Freight	5	9	5	8	6.2%
Car parking	3	3	3	3	-6.7%
VIP room charge	5	5	6	4	6.3%
Others	4	5	4	6	-5.4%
Sub-total	48	50	46	53	0.6%
Total revenue	191	210	178	213	2.5%

Source: Company results

Meilan Airport traffic throughput

	4M10	4M09	YOY	2H09	1H09	2H08	1H08
Passenger throughput (000)	3,537	3,359	5.3%	3,998	4,394	3,808	4,414
Aircraft movement	26,378	24,966	5.7%	31,717	33,493	29,440	33,656
Cargo throughput	63,030	54,912	14.8%	63,154	74,667	57,565	74,032

Source: Company results

Summary of acquisition

Passenger throughput ('000)	3,537
Aircraft movement	26,378
Cargo throughput	63,030
Target asset	54.5% equity interest in HNA Airport
Consideration	RMB2,199.9M
Source of funding	RMB988.9M will be financed via internal fund and bank loans RMB1,211M will be funded through A-share listing of up to 200M shares (42% of existing number of shares)
Expected date of completion	Jan-2011

Source: Company announcement

2009 financial information of HNA Airport attributable to Meilan Airport

Net profit	RMB104.5M (57.7% of Meilan Airport)
Passenger throughput ('000)	5,016 (59.8% of Meilan Airport)
Cargo throughput (tonnes)	53,905 (39% of Meilan Airport)

Source: Company announcement

Operating data of HNA Airport

	HNA Airport's equity interest	Passenger throughput ('000)			Cargo throughput (tons)		
		2009	2008	YOY	2009	2008	YOY
Sanya Phoenix	67%	7,941	6,007	32.20%	94,106	71,400	31.80%
Lanzhou Zhongchuan	100%	2,862	2,213	29.30%	27,021	21,756	24.20%
Yichang Sanxia	90%	657.5	523	25.70%	7,698	6,496	18.50%
Dunhuang Mogao	100%	153	134	13.80%	109	102	6.80%
Manzhouli Xijiao	67%	148	122	20.90%	1,660	1,479	12.20%
Jiayuguan	100%	90	65	38.50%	83	83	0.80%
Dongying Yong An	90%	76	57	32.60%	671	504	33.10%
Qingyang Xifeng	100%	21	27	-24.80%	-	-	-
Total		11,946	9,148	30.60%	131,347	99,657	31.80%
Attributable to Meilan Airport		5,016	3,852	30.20%	53,905	42,003	28.30%

Source: Company circulars

Source 1: http://www.eeo.com.cn/Politics/by_region/2010/03/08/164534.shtml

Disclosure: CHENG Wai Yang (SFC CE NO:ART646) the author of this document declares that as of the date of the publication of this report, he does not hold an interest in HK stock 357.

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Meilan Airport (357)

Source: Quam

The Group is mainly engaged in both aeronautical and non-aeronautical businesses. Its aeronautical business consists of the provision of terminal facilities, ground handling services, passenger and cargo handling services.



Website:	http://www.mlairport.com
PE:	20.2
Market Cap:	HK\$4139 million
Turnover (annual):	(RMB M)
(2008/2009)	391/401
Net Profit (annual):	(RMB M)
(2008/2009)	186/181
Risk Level:	Medium
Industry:	Aviation
Major Risk Factor:	Traffic throughput decline
Quote:	357
Peer(s):	Beijing Airport (694)

Date: 24/6/2010

Earnings Forecasts

QuamResearch Weekly 2010/06/24

Company	Price (Jun 24)	Review Date	Rating	Risk levels	Market cap (HK\$M)	Profit A (HK\$M)	Profit E (HK\$M)	EPS E (HK\$)	EPS growth (%)	DPS E (HK\$)	PB (x)**	ROE A (%)	PE E (x)	Yield E (%)	Debt /Equity (%)	
Finance and banking																
5	HSBC	75.25	2010-03-08	Accumulate	Med	1,311,081	45,505	97,313	5.59	113.8%	2.50	1.3	4.6	13.5	3.3%	N.A.
11	Hang Seng Bank	105.8	2010-03-02	Accumulate	Med	202,268	13,221	14,525	7.60	9.9%	6	3.5	22.7	13.9	5.7%	N.A.
23	Bank of East Asia	29.1	2010-02-17	Accumulate	Med	58,695	2,565	2,964	1.47	15.6%	0.96	1.6	6.9	19.8	3.3%	N.A.
53	Guoco	77.9	2010-06-15	Accumulate	High	25,633	476	2,282	6.94	374.0%	3.5	0.6	1.2	11.2	4.5%	N.A.
302	Wing Hang Bank	75	2010-06-18	Accumulate	Med	22,118	1,204	1,673	5.67	39.0%	2.2	2.0	10.7	13.2	2.9%	N.A.
349	ICBC (Asia)	21	2010-04-07	Accumulate	Med	27,678	2,526	2,314	1.76	-9.9%	0.9	1.5	14.0	12.0	4.3%	N.A.
388	HKEx	125.3	2010-06-14	Accumulate	Med	135,073	4,704	4,970	4.61	5.3%	4.15	16.8	58.6	27.2	3.3%	N.A.
440	Dah Sing Financial	44.5		Accumulate	Med	11,125	1,050	583	2.33	-44.5%	1.05	1.1	10.0	19.1	2.4%	N.A.
665	Tai Fook	5.83	2010-03-12	Accumulate	High	4,116	85	250	0.35	194.6%	0.05	2.1	26.1	16.5	0.9%	N.A.
939	China Construction Bank	6.69	2010-04-19	Accumulate	Med	1,563,379	121,264	138,044	0.59	13.8%	0.27	2.5	19.2	11.3	4.0%	N.A.
998	CNCB	5.21	2010-05-13	Accumulate	High	203,362	16,265	21,095	0.54	29.6%	0.11	1.7	13.8	9.6	2.1%	N.A.
1111	CH Bank	14.9	2010-03-24	Accumulate	High	6,482	232	489	1.12	110.9%	0.45	1.0	3.8	13.3	3.0%	N.A.
1398	ICBC	5.9	2010-04-23	Accumulate	Med	1,970,712	146,128	180,753	0.54	23.7%	0.24	2.6	19.1	10.9	4.1%	N.A.
1988	China Minsheng Bank	6.89	2010-05-05	Accumulate	Med	184,062	13,749	16,238	0.61	1.6%	0.150	1.8	13.8	11.3	2.2%	N.A.
2356	Dah Sing Banking Group	9.88	2009-05-19	Accumulate	Med	9,258	189	462	0.49	-42.6%	0.38	1.0	8.7	20.0	3.8%	N.A.
2388	BOCHK	18.02	2010-05-18	Accumulate	Med	190,522	13,725	14,738	1.39	7.4%	0.91	1.9	13.3	12.9	5.0%	N.A.
2888	Standard Chartered	201.6	2010-03-22	Accumulate	Med	408,240	27,128	31,426	15.52	15.8%	5.50	1.9	12.8	13.0	2.7%	N.A.
3328	Bank of Communications	8.58	2010-05-10	Accumulate	Med	420,372	34,211	44,079	0.90	28.9%	0.26	2.3	18.4	9.5	3.0%	N.A.
3968	China Merchants Bank	19.28	2010-05-03	Accumulate	Med	416,005	20,713	28,222	1.31	28.4%	0.33	3.2	17.2	14.7	1.7%	N.A.
3988	Bank of China	4.08	2010-05-26	Accumulate	Med	1,035,664	92,085	106,818	0.42	16.0%	0.13	1.8	15.9	9.7	3.1%	N.A.
Insurance																
945	Manulife	124	2010-02-28	Accumulate	Med	217,992	9,883	22,905	13.03	171.4%	4.1	1.1	4.2	9.5	3.3%	N.A.
2318	Ping An Insurance	66.8	2009-11-20	Accumulate	Med	490,653	295	18,844	2.57	6287.8%	0.55	4.5	16.7	26.0	0.8%	N.A.
2328	PICC	7.78	2009-11-25	Accumulate	High	86,685	55	1,477	0.13	2499.7%	0.04	3.3	0.2	58.7	0.5%	N.A.
2601	China Pacific Insurance	31.7	2010-06-09	Accumulate	Med	272,620	8,355	10,944	1.27	17.5%	0.38	3.2	9.9	24.9	1.2%	N.A.
2628	China Life	35.5	2009-11-11	Accumulate	Med	1,003,397	23,405	35,427	1.25	51.4%	0.37	4.4	22.4	28.3	1.0%	N.A.
Properties																
1	Cheung Kong	94	2009-07-30	Accumulate	Med	217,723	15,518	13,130	5.67	-15.4%	2.45	0.9	6.7	16.6	2.6%	17.5%
10	Hang Lung Group	42.45	2010-02-03	Accumulate	Med	56,756	2,638	3,450	2.58	30.8%	1.03	1.5	6.8	16.5	2.4%	26.1%
12	Henderson Land	48.15	2009-06-23	Accumulate	Med	103,378	15,472	5,024	2.34	-69.0%	0.47	0.9	12.8	20.6	1.0%	29.4%
14	Hysan	22.4	2010-03-15	Accumulate	Med	23,534	2,716	1,552	1.23	-52.6%	0.68	0.7	8.1	18.2	3.0%	11.6%
16	Sun Hung Kai	112.5	2009-03-20	Accumulate	Med	288,450	27,602	11,100	4.33	-59.8%	0.95	1.3	12.6	26.0	0.8%	18.4%
17	New World	13.16		Accumulate	High	48,585	4,313	1,916	0.52	-55.6%	0.434	0.8	2.3	25.4	3.3%	59.7%
41	Great Eagle	21	2010-03-02	Accumulate	High	12,810	1,183	1,220	2.00	4.2%	0.62	0.7	5.3	10.5	3.0%	23.4%
49	Wheelock Properties	12.76	2010-03-31	Accumulate	Med	26,413	1,458	1,575	0.76	8%	0.1	1.0	5.2	16.8	0.8%	4.6%
50	HK Ferry	6.86	2009-08-25	Accumulate	High	2,444	(526)	260	0.73	-149.3%	0	0.8	N.A.	9.4	0.0%	2.9%
83	Sino Land	14.4		Reduce	Med	69,962	5,507	5,865	1.21	6.5%	0.405	1.5	7.5	11.9	2.8%	31.0%
101	Hang Lung Properties	30.9	2010-02-03	Accumulate	Med	128,142	4,130	6,642	1.60	60.8%	0.7	1.5	5.0	19.3	2.3%	9.7%
173	K. Wah	2.51	2010-02-22	Hold	High	6,201	(617)	500	0.20	-181.0%	0.03	0.8	N.A.	12.4	1.2%	58.0%
194	LCH Investment	8.3	2009-08-21	Accumulate	High	3,142	209	280	0.74	23.3%	0.26	0.5	3.4	11.2	3.1%	57.8%
369	USI	2.3	2008-10-28	Hold	High	3,034	193	400	0.30	69.4%	0.046	0.3	1.3	7.6	2.0%	121.7%
405	GZI REIT	3.4		Accumulate	Med	3,624	226	275	0.26	14.4%	0.26	1.0	10.3	13.2	7.6%	43.0%
480	HKR	2.85	2010-01-13	Accumulate	High	5,535	(224)	1,100	0.81	-591.1%	0	0.4	N.A.	3.5	0.0%	38.5%
683	Kerry Properties	35.3		Hold	Med	43,740	3,067	1,747	1.41	-44.2%	0.784	1.7	12.2	25.0	2.2%	35.4%
817	Franshion PPT	2.28	2009-12-09	Accumulate	High	20,887	901	950	0.10	-33.5%	0.02	1.4	8.2	22.0	0.9%	78.0%
823	Link	19.52	2010-06-08	Accumulate	Low	43,311	10,363	4,142	1.87	-60.7%	1.05	1.1	27.0	10.5	5.4%	28.3%
917	New World China	2.53	2009-07-03	Accumulate	High	9,705	2,024	920	0.24	-54.5%	0.04	0.3	6.80	10.5	1.6%	49.0%
1036	Winsor Properties	10.16	2009-01-29	Accumulate	High	2,638	159	210	0.81	32.6%	0.48	0.5	16.44	12.6	5.4%	45.8%
1200	Midland	6.75	2009-12-29	Accumulate	High	4,887	(42)	531	0.73	N.A.	0.72	3.1	N.A.	9.2	10.7%	2.0%
688	China Overseas	15.76	2009-10-19	Accumulate	Med	128,680	4,180	6,522	0.80	23.3%	0.16	3.7	21.4	19.7	1.0%	46.2%
1109	China Resources Land	15.6	2009-10-22	Accumulate	Med	78,359	2,038	3,350	0.67	42.2%	0.15	2.2	6.5	23.4	1.0%	86.2%
2337	Shanghai Forte	2.11	2009-08-31	Accumulate	High	5,336	102	410	0.16	302.0%	0.02	1.0	2.0	13.0	0.9%	168.7%
2777	Guangzhou R&F	10.66	2009-10-27	Hold	High	34,347	3,135	986	0.31	-68.6%	0.08	2.2	27.1	34.9	0.8%	152.8%
2868	BJ Capital	2.31	2010-02-19	Accumulate	High	4,685	538	650	0.32	18.7%	0.15	0.9	9.0	7.2	6.5%	98.9%
3377	Sino-Ocean Land	6.05	2009-10-05	Accumulate	High	27,074	1,388	1,500	0.34	-1.4%	0.10	1.4	8.3	18.0	1.7%	101.9%
Construction																
691	Shanshui Cement	3.81	2010-02-12	N.R.	N.R.	10,679	612	883	0.31	-16.2%	0.100	2.0	11.8	12.1	2.6%	106.6%
711	Chun Wo	0.57	2010-01-05	Accumulate	High	490	(120)	(7)	(0.01)	1618.0%	0.000	0.4	N.A.	N.A.	0.0%	83.2%
914	Anhui Conch	24.8	2009-12-21	Accumulate	High	43,797	2,868	3,213	1.82	6.7%	0.330	1.8	10.7	13.6	1.3%	35.2%
1893	Sinoma	4.81	2010-05-04	Accumulate	High	17,177	817	1,219	0.34	49.1%	0.030	1.8	8.7	14.1	0.6%	148.9%
2009	BBMG	8.18	2009-12-11	Accumulate	High	31,681	1,499	1,809	0.47	-31.5%	0.000	3.5	18.1	17.5	0.0%	81.0%
3311	China State Construction	2.55	2010-03-29	Accumulate	High	7,543	613	760	0.26	13.2%	0.080	1.7	14.2	9.9	3.1%	77.3%
3323	CNBM	12.8	2010-04-29	Accumulate	High	31,757	2,672	3,137	1.26	15.9%	0.100	2.2	18.2	10.1	0.8%	318.1%
Hotels, Travel																
45	HK & S Hotels	12.9	2010-03-17	Accumulate	Med	18,666	216	686	0.47	-48.2%	0.12	0.8	7.0	27.2	0.9%	17.1%
51	Harbour Centre	8.3	2009-03-24	Accumulate	High	3,926	171	136	0.31	-20.5%	0.2	0.5	1.5	26.8	2.4%	39.7%
69	Shangri-la	14.88	2010-04-12	Reduce	High	42,944	1,993	1,428	0.49	-28.3%	0.15	1.3	6.0	30.1	1.0%	60.6%
71	Miramar	7.75	2010-03-22	Accumulate	Med	4,474	243	308	0.53	26.9%	0.5	0.6	3.4	14.5	6.5%	11.9%
105	Associated Hotels	15.56	2009-12-22	Accumulate	High	5,602	(175)	2,473	6.87	-1514.0%	0.12	1.1	N.A.	N.A.	0.8%	13.4%
Power																
2	CLP	56.35	2010-04-08	Hold	Med	135,578	8,196	8,626	3.59	5.2%	2.510	1.9	11.6	15.7	4.5%	86.6%
3	HK Gas	19.44	2009-03-25	Hold	Med	134,330	5,175	4,975	0.72	-8.9%	0.350	3.5	14.0	27.0	1.8%	62.2%
6	HK Electric	46.05	2010-03-09	Accumulate	Low	98,285	6,697	6,874	3.22	2.6%	2.110	1.9	12.8	14.3	4.6%	23.5%
1038																

Earnings Forecasts

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Company	Price (Jun 24)	Review Date	Rating	Risk levels	Market cap (HK\$M)	Profit A (HK\$M)	Profit E (HK\$M)	EPS E (HK\$)	EPS growth (%)	DPS E (HK\$)	PB (x)**	ROE A (%)	PE E (x)	Yield E (%)	Debt /Equity (%)
836 CR Power	17.14	2010-06-02	Accumulate	High	80,541	5,317	5,543	1.18	1.0%	0.390	1.7	11.8	14.5	2.3%	125.1%
902 Huaneng	4.53	2010-05-20	Accumulate	High	61,857	5,423	4,083	0.30	-35.3%	0.213	1.2	11.7	15.1	4.7%	306.6%
991 Datang	3.37	2010-05-25	Accumulate	High	41,485	1,773	1,410	0.11	-25.9%	0.042	1.4	6.2	29.4	1.2%	505.3%
1071 Huadian	1.92	2010-06-14	Accumulate	High	13,000	1,307	389	0.06	-73.5%	0.012	0.7	7.2	33.4	0.6%	415.1%
2380 China Power	1.75	2010-06-02	Accumulate	High	8,937	519	434	0.08	-46.9%	0.024	0.5	4.2	20.6	1.4%	272.6%
Telecom															
8 PCCW	2.32	2010-03-17	Hold	High	15,711	1,506	1,512	0.22	18.8%	0.14	9.1	86.9	10.4	6.0%	-498.8%
315 Smartone	8.09	2010-03-08	Accumulate	High	4,296	42	222	0.42	-12.9%	0.15	1.8	1.7	19.4	1.9%	27.9%
1137 CTI	4.87	2010-03-01	Accumulate	High	3,243	213	254	0.38	19.2%	0.22	2.6	17.3	12.8	4.5%	13.3%
728 China Telecom	3.75	2010-06-14	Hold	Med	303,495	23,193	23,123	0.29	-0.4%	0.085	1.4	10.5	13.1	2.1%	44.4%
762 China Unicom	10.26	2009-04-01	Hold	Med	243,860	37,290	13,825	0.58	-62.9%	0.087	1.1	7.5	17.6	0.9%	1.4%
763 ZTE	26.7	2009-12-23	Accumulate	High	48,888	1,826	2,799	1.53	53.3%	0.38	3.3	10.3	17.5	1.4%	92.0%
941 China Mobile	79.35	2009-09-14	Accumulate	Med	1,591,761	125,200	127,684	6.37	2.0%	2.9	3.4	26.6	12.5	3.7%	7.1%
2342 Comba	9.6	2010-06-17	Accumulate	High	11,366	538	718	0.61	33.5%	0.135	4.7	22.1	15.8	1.4%	17.3%
Conglomerates															
4 Wharf	40.2	2009-10-14	Accumulate	Med	110,711	6,247	5,884	2.14	-6.3%	0.80	1.1	6.3	18.8	2.0%	34.9%
13 Hutchison	49.75	2010-02-10	Accumulate	Med	212,084	17,664	18,458	4.33	4.5%	1.73	0.8	9.9	11.5	3.5%	90.5%
19 Swire A	89.45	2009-08-18	Accumulate	Med	81,042	1,945	4,217	4.65	20.3%	2.00	1.0	4.4	19.2	2.2%	23.5%
20 Wheelock	21.9	2009-10-20	Accumulate	Med	44,501	3,432	3,335	1.64	-2.9%	0.13	0.8	5.8	13.3	0.6%	69.9%
54 Hopewell	21.8	2010-02-18	Accumulate	High	19,140	776	1,154	1.31	49.4%	0.45	1.0	7.1	16.6	2.1%	0.0%
87 Swire B	16.48	2009-08-18	Accumulate	Med	49,358	1,286	2,788	0.93	20.3%	0.40	0.9	4.4	17.7	2.4%	23.5%
97 Henderson Investment	0.65		Hold	Med	1,981	3,505	2,468	0.81	-34.7%	0.28	0.1	9.1	0.8	43.1%	2.5%
152 Shenzhen Internationa	0.51	2009-12-04	Accumulate	High	7,174	575	663	0.05	49.2%	0.01	1.5	9.0	10.8	2.0%	219.0%
257 Everbright	3.37	2009-12-24	Hold	High	12,267	339	439	0.12	11.6%	0.018	3.8	12.0	28.0	0.5%	101.1%
267 CITIC Pacific	15.28	2009-09-11	Accumulate	High	55,711	2,468	3,569	0.98	-117.2%	0.3	1.1	N.A.	15.6	2.0%	116.2%
291 China Resources	29.15	2009-09-22	Hold	Med	69,669	2,322	2,120	0.89	-8.8%	0.4	2.8	9.2	32.9	1.4%	53.7%
392 Beijing Enterprises	50.6	2009-10-07	Accumulate	Med	57,532	2,282	2,671	2.35	27.0%	0.7	2.0	7.8	21.5	1.4%	26.4%
588 Beijing North Star	2.02	2009-10-02	Accumulate	High	6,801	1,165	670	0.20	-43.1%	0.03	0.6	4.1	10.2	1.5%	91.6%
604 Shenzhen Investment	2.36	2009-10-09	Accumulate	High	8,326	873	973	0.28	2.1%	0.14	0.7	8.4	8.6	5.9%	115.1%
659 NWS	14.14	2009-10-23	Accumulate	High	29,284	2,529	2,329	1.12	-8.6%	0.67	1.3	10.9	12.6	4.7%	38.0%
882 Tianjin Development	4.81	2009-08-11	Accumulate	Med	5,132	506	562	0.53	10.4%	0.1	0.6	3.3	9.1	2.1%	28.0%
Energy															
386 Sinopec	6.48	2009-11-18	Accumulate	High	561,829	32,746	68,978	0.80	104.0%	0.280	1.5	18.4	8.1	4.3%	58.5%
857 PetroChina	9	2009-11-11	Accumulate	High	1,611,189	125,178	131,316	0.73	3.3%	0.330	2.8	14.5	12.3	3.7%	21.4%
883 CNOOC	13.52	2010-06-23	Accumulate	High	603,925	36,842	52,143	1.17	55.6%	0.480	3.1	12.2	11.6	3.6%	10.7%
1083 Shenhua	31.5	2010-03-23	Accumulate	High	626,535	34,877	39,170	1.97	12.3%	0.678	3.3	18.6	16.0	2.2%	44.8%
1171 Yanzhou Coal	17.34	2010-05-05	Accumulate	High	85,278	4,529	7,359	1.50	3.1%	0.460	2.9	14.1	11.6	2.7%	77.2%
1898 China Coal Energy	11.38	2010-04-30	Accumulate	High	150,887	8,618	10,926	0.82	-12.9%	0.210	1.7	12.2	13.8	1.8%	19.1%
2883 China Oilfield	9.59	2010-06-11	Accumulate	High	43,110	3,449	4,369	0.97	22.7%	0.200	1.7	14.1	9.9	2.1%	139.4%
2688 Xinao Gas	17.54	2010-06-09	Accumulate	High	18,417	801	1,047	1.00	13.3%	0.286	3.2	16.2	17.6	1.6%	114.0%
1083 Towngas China	3.03	2010-03-16	Accumulate	High	5,932	265	354	0.18	29.2%	0.025	0.9	4.1	16.7	0.8%	43.0%
3928 Zhengzhou Gas	14.5	2010-04-15	Accumulate	High	1,813	166	251	2.01	23.9%	0.410	1.9	19.4	7.2	2.8%	0.0%
Petrochemical															
297 Sinofer	3.31	2004-04-21	Hold	High	23,190	2,104	2,099	0.30	-3.5%	0.058	1.5	13.7	11.0	1.8%	62.9%
338 Shanghai Pet	3.03	2009-11-26	Accumulate	High	21,816	(6,862)	2,254	0.31	-131.8%	0.130	1.4	N.A.	9.7	4.3%	53.9%
408 Yip's Chemical	7.57	2009-11-30	Accumulate	High	4,080	224	405	0.75	80.6%	0.340	2.1	12.3	10.1	4.5%	28.2%
Water and Sewage															
270 Guangdong Investment	3.68	2009-10-28	Accumulate	Med	22,864	1,877	2,307	0.37	19.4%	0.120	1.5	12.8	9.9	3.3%	45.8%
Automobiles															
175 Geely	2.64	2010-06-17	Accumulate	High	19,327	1,343	1,650	0.23	19.3%	0.031	2.7	18.6	11.4	1.2%	67.0%
203 Denway	3.82	2010-03-23	N.R.	High	28,723	2,107	2,539	0.35	20.0%	0.111	1.8	13.5	11.0	2.9%	0.0%
425 Minth	9.8	2010-04-15	Accumulate	High	9,526	683	822	0.85	15.5%	0.237	2.2	16.2	11.6	2.4%	8.6%
489 Dongfeng	9.94	2010-06-04	Accumulate	High	85,643	7,099	7,251	0.95	15.4%	0.116	2.8	22.9	10.5	1.2%	42.7%
1211 BYD	62.3	2010-06-02	Hold	High	141,733	4,173	5,940	2.68	33.4%	0.450	6.6	22.7	23.2	0.7%	20.2%
2333 GW Auto	14.9	2010-06-17	Accumulate	High	16,320	1,162	1,333	1.22	14.8%	0.347	1.9	13.5	12.2	2.3%	1.1%
2338 Weichai	52.9	2010-06-10	Accumulate	High	44,068	3,748	5,208	6.25	35.3%	0.625	3.3	29.0	8.5	1.2%	31.8%
3808 Sinotruk	6.87	2009-09-25	Accumulate	High	14,852	969	943	0.44	2.1%	0.041	1.2	10.1	15.8	0.6%	88.8%
Metals															
323 Maanshan Iron	3.67	2009-04-23	Accumulate	High	24,806	781	1,205	0.18	48.6%	0.060	1.0	3.1	20.6	1.6%	65.5%
347 Angang Steel	9.99	2010-05-11	Accumulate	High	72,278	827	5,788	0.80	578.0%	0.320	1.2	1.4	12.5	3.2%	62.9%
358 Jiangxi Copper	15.56	2010-04-26	Accumulate	High	47,038	2,584	4,367	1.44	61.2%	0.361	1.8	10.5	10.8	2.3%	251.1%
826 Tiangong Int'	2.98	2010-02-25	Accumulate	High	1,252	129	112	0.27	-14.1%	0.060	0.7	7.8	11.2	2.0%	99.6%
1053 Chongqing Iron	1.97	2009-08-13	Accumulate	High	3,414	659	229	0.13	-28.2%	0.070	0.5	9.5	14.9	3.6%	81.1%
1208 Minmetals Resources	2.88	2010-04-27	Hold	High	5,835	181	452	0.22	149.8%	0.000	0.9	2.9	12.9	0.0%	19.5%
2600 CHALCO	6.4	2010-02-09	Accumulate	High	86,554	10	(2,405)	(0.18)	-22325%	0.000	1.4	0.0	(36.0)	0.0%	119.4%
2626 Hunan Nonferrous	2.76		Accumulate	High	10,124	336	154	0.04	-55.9%	0.010	1.6	5.5	65.9	0.4%	127.0%
2899 Zijin Mining	5.96	2009-02-23	Accumulate	High	86,664	2,807	3,801	0.26	35.4%	0.120	13.9	47.7	22.8	2.0%	17.2%
3993 China Molybdenum	4.69	2009-05-21	Accumulate	High	22,868	1,805	514	0.11	-72.4%	0.021	1.8	14.2	44.5	0.4%	2.0%
China Foods															
151 Want Want	6.54	2010-03-10	Accumulate	Med	86,308	2,441	2,866	0.22	18.0%	0.175	11.1	31.6	30.1	2.7%	7761%
168 Tsingtao	38.85	2010-05-06	Reduce	High	50,816	1,424	1,460	1.11	2.6%	0.300	5.6	11.5	35.0	0.8%	17.2%

Earnings Forecasts

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Company	Price (Jun 24)	Review Date	Rating	Risk levels	Market cap (HK\$M)	Profit A (HK\$M)	Profit E (HK\$M)	EPS E (HK\$)	EPS growth (%)	DPS E (HK\$)	PB (x)**	ROE A (%)	PE E (x)	Yield E (%)	Debt /Equity (%)
322 Tingyi	19.9	2010-05-18	Accumulate	High	111,181	2,972	3,401	0.61	14.4%	0.273	7.5	26.2	32.7	1.4%	26.6%
506 China Foods	4.97	2010-04-28	Accumulate	Med	13,876	568	710	0.25	47.0%	0.096	2.0	10.4	19.5	1.9%	14.6%
606 China Agri	9.42	2009-01-06	Hold	High	33,855	1,100	2,377	0.66	116.1%	0.000	3.3	10.6	14.2	0.0%	62.8%
828 Dynasty	3.31	2010-06-21	Hold	High	4,121	156	175	0.14	12.3%	0.064	2.3	8.5	23.6	1.9%	0.0%
2319 Mengniu	25.95	2010-05-06	Accumulate	High	45,075	1,267	1,444	0.83	7.4%	0.195	4.5	13.0	31.2	0.8%	7.9%
1068 China Yurun	24.90	2010-04-22	Accumulate	High	41,658	1,745	2,094	1.25	14.9%	0.223	7.3	20.9	19.9	0.9%	37.4%
Airlines															
44 HAECO	105.1	2010-05-27	Accumulate	Med	17,478	688	973	5.85	41.4%	2.750	3.4	12.9	18.0	2.6%	21.8%
293 Cathay	15.8	2010-03-11	Hold	High	62,141	4,694	2,783	0.71	-40.7%	0.284	1.5	11.1	22.3	1.8%	101.0%
670 China Eastern	3.59	2010-05-18	Accumulate	High	40,484	192	1,867	0.17	451.8%	0	0.0	N.A.	21.7	0.0%	3621.2%
753 Air China	8.24	2009-09-09	Hold	High	100,948	(10,506)	4,212	0.34	-140.1%	0.07	4.5	N.A.	24.0	0.8%	243.9%
1055 China Southern	3.65	2010-04-14	Accumulate	High	29,215	363	1,955	0.24	438.5%	0	2.6	N.A.	14.9	0.0%	566.6%
Airports															
357 Meilan Airport	8.75	2010-06-22	Accumulate	Med	4,139	205	226	0.48	11.1%	0.250	1.9	9.2	18.2	2.9%	0.6%
694 BCIA	4.6	2010-04-22	Reduce	High	19,922	342	446	0.11	35.4%	0.053	1.4	2.4	43.0	1.2%	170.3%
696 TravelSky	6.35	2010-06-02	Accumulate	Med	12,389	881	1,013	0.53	17.7%	0.203	1.8	12.8	11.9	3.2%	0.0%
Highways & Railways															
66 MTRC	27.75	2010-03-10	Accumulate	Med	158,104	7,303	7,500	1.32	2.7%	0.52	1.6	6.9	21.1	1.9%	22.4%
77 AMS Transport	1.53	2009-12-30	Accumulate	High	348	39	42	0.19	14.1%	0.1	1.4	15.6	8.2	6.5%	48.4%
107 Sichuan Expressway	4.43	2010-03-12	Accumulate	Med	13,547	910	1,084	0.35	5.8%	0.24	1.5	11.3	12.5	5.4%	35.4%
177 Jiangsu Expressway	7.33	2010-06-11	Accumulate	Med	36,926	2,257	2,467	0.49	9.3%	0.38	2.2	13.3	15.0	5.2%	50.4%
525 Guangshen Rail	2.82	2009-08-10	Hold	Med	19,975	1,353	1,323	0.19	-1.7%	0.089	0.8	5.6	15.1	3.2%	17.9%
548 Shenzhen Expressway	3.58	2010-05-19	Accumulate	Med	7,807	569	753	0.35	32.5%	0.160	0.8	6.4	10.4	4.5%	123.2%
576 Zhejiang Expressway	7.22	2010-06-02	Accumulate	Med	31,357	1,690	2,140	0.49	26.6%	0.38	0.0	12.7	14.7	5.3%	11.4%
737 HHI	5.48	2010-02-12	Accumulate	Med	16,232	1,059	1,002	0.34	-5.3%	0.32	2.0	12.7	16.2	5.8%	66.9%
995 Anhui Expressway	4.33	2010-05-13	Accumulate	Med	7,182	734	766	0.46	4.3%	0.240	1.2	12.3	9.4	5.5%	54.6%
1052 GZI Transport	3.89	2010-05-04	Accumulate	Med	6,508	434	618	0.37	21.0%	0.160	0.8	5.0	10.5	4.1%	20.2%
3898 Zhuzhou CSR Times	16.42	2010-05-05	Accumulate	High	17,799	584	832	0.77	42.4%	0.315	4.2	14.0	21.4	1.9%	3.3%
Ports and Containers															
144 China Merchants	26.1	2010-05-27	Accumulate	Med	63,501	3,238	3,196	1.31	-10.6%	0.55	2.1	9.7	19.9	2.1%	42.9%
390 China Railway	5.21	2009-12-30	Accumulate	Med	110,973	1,526	6,299	0.30	310.7%	0.00	1.8	2.4	17.6	0.0%	101.2%
1186 China Railway Con.	10.02	2009-12-16	Accumulate	Med	123,627	4,118	5,523	0.45	21.6%	0.12	2.3	7.8	22.4	1.2%	49.6%
1199 COSCO Pacific	9.88	2010-06-07	Accumulate	Med	26,795	1,342	2,371	0.87	76.7%	0.32	1.1	6.3	11.3	3.2%	58.5%
1800 China Communications	7.25	2009-11-12	Accumulate	Med	107,481	6,865	7,353	0.50	27.2%	0.12	0.8	14.8	14.6	1.7%	140.4%
2880 Dalian Port (PDA)	3.45	2009-03-08	Accumulate	Med	10,095	670	716	0.24	3.3%	0.17	1.3	9.1	14.1	4.8%	45.6%
3378 Xiamen International Por	1.41	2009-10-30	Accumulate	Med	3,844	205	248	0.09	20.8%	0.06	1.2	5.3	15.5	4.3%	9.9%
3382 Tianjin Port	1.87	2009-08-05	Hold	Med	11,515	(48)	625	0.10	-475.9%	0.04	0.9	N/A	18.4	2.1%	37.6%
000039 CIMC	14.29		Hold	Med	38,058	2,717	2,689	1.01	-1.0%	0.30	2.8	22.7	14.2	2.1%	81.2%
Shipping															
316 OOIL	59.9	2009-08-13	Accumulate	High	37,485	2,124	(3,167)	(5.06)	-249.1%	0.00	1.1	0.0	(11.8)	0.0%	58.1%
317 Guangzhou shipyard	11.58	2009-06-11	Hold	High	5,732	927	589	1.19	-36.8%	0.23	5.5	29.9	9.7	2.0%	57.5%
517 COSCO International	4.02	2009-09-07	Accumulate	High	6,074	246	484	0.32	3.3%	0.070	1.1	8.9	12.6	1.7%	1.9%
1138 China Shipping Dev	10.72	2010-08-24	Accumulate	High	36,502	5,910	1,368	0.40	-76.8%	0.04	1.6	26.2	26.7	0.4%	34.5%
1919 China COSCO Holdings	8.47	2010-04-30	Accumulate	High	86,530	(8,295)	3,530	0.35	-142.6%	0.040	1.8	0.0	24.5	0.5%	143.7%
2866 CSC	2.93	2010-04-22	Accumulate	High	34,231	(6,489)	518	0.04	-107.3%	0.000	1.2	0.1	66.1	0.0%	42.8%
2343 Pacific Basin	5.15	2010-03-08	Accumulate	High	9,934	858	1,186	0.61	38.2%	0.300	0.9	7.6	8.4	5.8%	60.2%
Retailers															
116 Chow Sang Sang	13.6	2010-04-08	Accumulate	Med	8,186	574	702	1.17	22.3%	0.410	2.1	14.6	11.7	3.0%	15.2%
178 Sa Sa	6.01	2010-05-14	Hold	Med	8,316	316	363	0.26	14.4%	0.280	7.4	28.1	22.9	4.7%	0.0%
210 Daphne	8.82	2010-04-15	Hold	High	14,446	394	652	0.40	65.5%	0.100	6.6	17.9	22.2	1.1%	24.1%
330 Esprit	45.65	2010-02-05	Accumulate	Med	58,381	4,745	4,744	3.71	-2.6%	2.790	3.9	32.9	12.3	6.1%	0.0%
393 Glorious Sun	2.99	2010-05-03	Accumulate	Med	3,168	284	361	0.30	11.1%	0.210	1.7	6.6	10.0	7.0%	9.1%
589 Ports Design	19.64	2010-05-14	Accumulate	Med	11,723	505	617	1.03	14.9%	0.860	8.7	34.5	19.0	4.4%	54.1%
590 Luk Fook	9.88	2009-12-21	Accumulate	Med	4,866	275	414	0.84	50.2%	0.300	3.9	21.9	11.8	3.0%	24.5%
653 Bonjour	2.4	2010-05-14	Hold	Med	3,524	160	197	0.13	13.6%	0.133	13.2	64.2	17.9	5.6%	25.6%
825 NWDS China	7.08	2010-03-16	Accumulate	High	11,938	547	570	0.34	9.1%	0.160	2.7	12.4	20.9	2.3%	0.0%
980 Lianhua Supermarket	30.5	2010-04-20	Hold	Med	18,971	540	663	1.07	54.4%	0.420	6.8	3.3	28.6	1.4%	0.0%
984 AEON Stores	11.5	2010-03-24	Accumulate	Med	2,990	167	241	0.93	44.1%	0.410	2.6	14.6	12.4	3.6%	17.9%
1833 Intime	8.3	2010-04-14	Accumulate	High	14,540	509	557	0.32	5.9%	0.170	3.8	13.4	26.1	2.0%	28.9%
2020 ANTA Sports	15.06	2010-03-01	Accumulate	Med	37,531	1,419	1,610	0.65	13.4%	0.400	6.5	24.6	23.3	2.7%	0.0%
2331 Li Ning	27.55	2010-03-25	Accumulate	Med	28,879	1,072	1,268	1.21	17.5%	0.627	9.5	35.3	22.8	2.3%	9.7%
3308 Golden Eagle	17.18	2010-04-16	Accumulate	High	33,350	780	1,099	0.57	34.8%	0.170	10.8	4.2	30.3	1.0%	8.1%
3368 Parkson	13.5	2010-05-25	Hold	High	37,905	1,034	1,194	0.43	14.9%	0.210	8.5	23.2	31.8	1.6%	82.8%
3389 Hengdeli	3.5	2010-04-01	Accumulate	High	14,242	414	646	0.16	48.9%	0.048	4.4	12.7	22.0	1.4%	40.0%
3818 Dongxiang	5.57	2010-03-29	Accumulate	High	31,562	1,657	1,899	0.34	14.6%	0.235	3.8	19.9	16.6	4.2%	0.0%
Textile and Garment															
321 Texwinca	7.89	2009-12-08	Accumulate	Med	10,474	860	890	0.67	3.4%	0.44	2.5	20.8	11.8	5.6%	21.2%
420 Fountain Set	1.13	2009-05-18	Hold	High	897	(396)	(134)	(0.17)	-66.2%	0.01	0.4	N.A.	(6.7)	0.9%	102.2%
551 Yue Yuen	25.05	2010-06-18	Accumulate	Med	41,306	3,566	3,753	2.28	3.6%	0.95	1.7	15.3	11.0	3.8%	50.1%
1382 Pacific Textiles	3.9	2009-12-10	Accumulate	High	5,588	377	652	0.46	75.1%	0.3	1.8	12.1	8.6	7.7%	3.4%
2313 Shenzhou	9.09	2010-04-16	Accumulate	High	11,317	1,421	1,531	1.23	7.3%	0.37	2.6	32.2	7.4	4.1%	17.9%
2698 Weiqiao	4.81	2009-04-08	Accumulate	High	5,745	1,013	1,134	0.95	11.6%	0.28	0.4	6.3	5.1	5.8%	61.1%
3398 China Ting	1.24	2010-04-07	Accumulate	High	2,597	377	322	0.15	-14.7%	0.097	1.1	15.5	8.1	7.8%	3.3%

Earnings Forecasts

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Company	Price (Jun 24)	Review Date	Rating	Risk levels	Market cap (HK\$M)	Profit A (HK\$M)	Profit E (HK\$M)	EPS E (HK\$)	EPS growth (%)	DPS E (HK\$)	PB (x)**	ROE A (%)	PE E (x)	Yield E (%)	Debt /Equity (%)
Culinary															
52 Fairwood	8.38	2009-12-01	Accumulate	High	1,053	80	85	0.68	6.6%	0.5	2.8	21.4	12.4	6.0%	11.9%
341 Cafe de Coral	19.88	2010-06-03	Hold	Med	11,080	436	468	0.84	5.4%	0.73	4.7	18.6	23.7	3.7%	0.0%
345 Vitasoy	5.93	2010-06-10	Hold	Med	6,037	260	283	0.28	8.4%	0.27	4.4	19.2	21.4	4.6%	6.4%
538 Ajisen	8.76	2010-06-04	Accumulate	Med	9,356	314	394	0.37	25.3%	0.18	3.9	13.1	23.7	2.1%	0.0%
573 Tao Heung	2.93	2010-05-28	Hold	Med	2,977	209	217	0.21	4.0%	0.125	2.6	18.8	13.7	4.3%	2.5%
968 Little Sheep	4.48	2010-04-21	N.R.	N.R.	4,606	176	218	0.21	23.5%	0.085	3.9	15.1	21.1	1.9%	0.0%
Optical															
125 Sun Hing	3.25	2009-12-28	Accumulate	High	854	115	85	0.32	-26.5%	0.175	1.1	14.3	10.1	5.4%	0.0%
1120 Arts Optical	3.6	2010-04-12	Accumulate	High	1,381	122	135	0.35	10.3%	0.13	1.3	11.4	10.2	3.6%	3.3%
Electronics															
148 Kingboard	35		Hold	High	29,505	2,778	3,120	3.70	11.1%	1.2	3.3	31.4	9.5	3.4%	56.2%
285 BYD Electronic	4.72	2010-02-22	Accumulate	High	10,634	869	685	0.31	-18.7%	0	1.6	13.1	15.1	0.0%	0.0%
303 VTech	84.9	2010-06-15	Accumulate	High	20,962	1,603	1,794	7.27	11.8%	4.914	6.1	40.0	11.7	5.8%	0.0%
522 ASM	64.25	2010-06-01	Accumulate	High	25,315	935	1,706	4.32	81.2%	3.2	7.4	27.4	14.9	5.0%	0.0%
667 Hannstar Board	1.68	2010-06-07	Accumulate	High	2,211	476	515	0.39	8.1%	0.062	0.8	17.9	4.3	3.7%	58.7%
927 Fujikon	1.49	2009-12-07	Reduce	High	595	91	55	0.14	-39.9%	0.1	0.8	12.7	10.8	6.7%	0.8%
2000 SIM Technology	1.68	2010-03-08	Hold	High	2,549	144	48	0.03	-66.6%	0.01	1.9	10.8	53.0	0.6%	0.0%
2038 Foxconn	5.81	2010-01-27	Hold	High	41,024	944	468	0.07	-50.6%	0	1.5	3.5	88.4	0.0%	6.8%
3313 Meadville	3.16	2009-11-17	N.R.	N.R.	6,206	402	295	0.15	-24.9%	0.04	1.9	14.5	21.0	1.3%	124.6%
Electrical & Mechanical															
57 Chen Hsong	3.19	2009-12-03	Accumulate	High	2,005	86	81	0.13	-5.5%	0.07	0.8	3.7	24.8	2.2%	1.6%
179 Johnson Electric	3.77	2010-06-01	Accumulate	High	13,851	589	952	0.26	61.2%	0.129	1.6	6.8	14.6	3.4%	36.6%
255 Lung Kee	4.05	2010-03-31	Accumulate	High	2,511	221	265	0.43	20.1%	0.23	1.3	11.3	9.5	5.7%	2.4%
300 Kuming Machine	6.14	2010-06-23	Accumulate	High	2,609	237	299	0.70	26.2%	0.14	2.0	17.4	8.7	2.3%	6.0%
658 China High Speed	17.46	2010-05-20	Accumulate	High	23,030	1,064	1,473	1.12	38.5%	0.34	4.7	21.9	15.6	1.9%	89.1%
669 Techtronic	6.05	2010-05-11	Accumulate	High	9,627	491	836	0.53	65.7%	0.089	1.2	6.1	11.5	1.5%	84.8%
1050 Karrie International	0.5		Hold	High	206	186	141	0.34	-24.4%	0.188	0.4	35.4	1.5	37.5%	70.0%
1072 Dongfang Electric	24.9	2010-05-07	Accumulate	High	21,962	1,883	2,184	2.48	17.8%	0.214	6.7	19.7	10.1	0.9%	12.5%
1133 Harbin Power	5.86	2010-04-23	Accumulate	High	8,069	667	806	0.59	17.7%	0.09	0.8	7.0	10.0	1.5%	56.5%
1882 Haitian Internationa	5.6	2010-04-19	Accumulate	High	8,938	495	693	0.43	40.0%	0.15	2.4	13.5	12.9	2.7%	7.1%
2398 Good Friend	3.82	2010-05-10	Accumulate	High	1,284	93	122	0.36	28.4%	0.248	3.2	23.2	10.5	6.5%	35.5%
2727 Shanghai Machinery	3.58	2010-04-21	Accumulate	High	44,779	2,699	3,037	0.24	-0.4%	0.072	1.8	10.9	14.7	2.0%	14.4%
2345 Shanghai Prime	1.38	2010-04-28	Accumulate	High	1,984	166	179	0.12	5.1%	0.032	0.6	5.4	11.1	2.3%	4.0%
3339 Lonking	5.39	2010-06-18	Accumulate	High	11,535	904	1,023	0.48	15.7%	0.18	2.8	21.1	11.3	3.3%	78.4%
Trading															
494 Li & Fung	38.9	2010-03-25	Accumulate	Med	147,198	3,369	5,058	1.34	46.8%	0.94	8.3	19.0	29.1	2.4%	38.1%
752 Pico Far East	1.43	2010-02-08	Accumulate	High	1,711	124	173	0.14	39.7%	0.06	1.8	12.9	9.9	4.2%	10.0%
2387 IDS Group	13.38	2010-03-18	Accumulate	Med	4,295	233	215	0.67	-8.1%	0.44	3.4	18.4	19.9	3.3%	105.8%
Computers															
700 Tencent	126.3	2010-05-31	Hold	High	230,245	5,671	8,297	4.50	38.4%	0.7	16.9	42.2	28.1	0.6%	7.0%
861 Digital China	12.76	2010-02-10	Accumulate	High	12,301	641	750	0.78	16.8%	0.183	3.9	10.5	16.4	1.4%	44.8%
992 Lenovo	4.58	2010-06-04	Hold	High	44,852	1,004	1,946	0.20	80.6%	0.109	3.6	8.1	9.3	2.4%	43.7%
1688 Alibaba.com	16.3	2010-05-14	Reduce	High	82,145	1,114	1,540	0.31	33.9%	0.2	14.6	24.3	53.4	1.2%	0.0%
Printing															
450 Hung Hing	2.32	2010-01-05	Hold	High	2,116	2	173	0.19	8913.6%	0.14	0.7	0.1	12.3	6.0%	20.8%
2320 Hop Fung	1.53	2010-06-24	Accumulate	High	739	84	88	0.18	5.1%	0.06	1.0	4.8	8.4	3.9%	74.7%
Paper															
3331 Vinda	6.73	2009-10-29	Accumulate	High	6,084	398	433	0.48	166.2%	0.14	3.5	9.7	14.0	2.1%	41.6%
1044 Hengan	63.6	2009-06-04	Hold	Med	77,338	1,340	1,528	1.34	14.5%	0.75	11.4	14.6	47.5	1.2%	30.0%
1812 Chenming	6.09	2009-07-08	Accumulate	High	12,558	863	1,085	0.53	-9.3%	0.05	6.5	6.8	11.5	0.8%	59.2%
2314 L & M Paper	5.91	2010-02-11	Accumulate	High	6,610	302	1,565	1.38	429.4%	0.05	3.1	3.6	4.3	0.8%	85.0%
2689 Nine Dragons	11.74	2009-11-20	Accumulate	High	54,720	1,661	2,526	0.54	42.6%	0.052	3.1	11.3	21.7	0.4%	82.4%
Media															
18 Oriental Press	1.05	2009-05-22	Hold	High	2,518	380	350	0.16	0.0%	0.1	0.9	13.7	6.6	9.5%	0.3%
100 Clear Media	4.45	2010-03-12	Accumulate	High	2,332	31	89	0.17	183.1%	N.A.	0.9	1.3	26.2	N.A.	3.9%
423 HKET	2.19	2009-11-23	Accumulate	Med	946	64	80	0.19	23.5%	0.086	1.5	9.9	11.8	3.9%	0.0%
511 TVB	36	2009-09-17	Accumulate	Medium	15,768	901	1,080	2.47	19.7%	1.70	2.8	15.5	14.6	4.7%	5.7%
1097 I Cable	1.2	2009-11-25	Hold	High	2,414	(41)	30	0.01	-174.3%	N.A.	1.2	N.A.	80.7	N.A.	N.A.
2008 Phoenix Satellite TV	1.82	2010-05-13	Accumulate	High	9,073	300	373	0.07	29.4%	0.02	5.7	11.0	24.3	1.1%	13.9%
2383 Tom Group	0.61	2009-03-23	Hold	High	2,375	(61)	(20)	(0.01)	-98.5%	N.A.	1.4	N.A.	(116.4)	N.A.	96.4%
Gaming															
1128 Wynn Macau	13.78	2010-05-17	Accumulate	High	71,491	2,069	3,312	0.64	55.7%	0	19	54.9	21.6	0.0%	212.6%
1928 Sands China	12.4	2010-05-14	Hold	High	99,795	1,658	3,455	0.43	66.4%	0	3	5.8	28.9	0.0%	76.5%
880 SJM	6.88	2010-05-14	Hold	High	34,544	907	2,261	0.45	148.8%	0.05	4.1	10.7	15.3	0.7%	93.4%

* 1 RMB = 1.1 HKD
1 USD = 7.8 HKD
1 CAD = 7.468 HKD

Earnings Forecasts

QuamResearch Weekly 2010/06/24

Company	Price (Jun 24)	Review Date	Rating	Risk levels	Market cap (HK\$M)	Profit A (HK\$M)	Profit E (HK\$M)	EPS E (HK\$)	EPS growth (%)	DPS E (HK\$)	PB (x)**	ROE A (%)	PE E (x)	Yield E (%)	Debt /Equity (%)
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** P/embedded value for 945, 2318, 2628

Change in ratings:

Upgrade
Downgrad
New

Rating Scale:

- Buy The share is undervalued and can be a straight buy.
- Accumulate The share is undervalued and investors may accumulate on weakness to secure more unrealized value. However, if investors already own excessive holdings of this stock, then they might have to reduce their holdings. Despite having the same rating of "accumulate", some stocks might have higher unrealized value than others.
- Hold The share is priced close to its value. If investors own excessive holdings of this stock, then they might have to reduce their holdings. Despite having the same rating of "hold", some stocks might have higher unrealized value than others.
- Reduce The share is not attractively priced and investors should reduce exposure.
- Sell The share is overvalued and investors should sell it.
- N.R. Not rated
- U.R. Under revision
- N.A. Not available
- Low risk Earnings predictability is high. Investors may own relatively high exposures of the share.
- Medium risk There is a certain degree of earnings predictability. Investors may own controlled exposures of the share. However, if investors own excessive holdings of this stock, then they might have to reduce their holdings.
- High risk Earnings predictability is low. Exposure should be strictly controlled. If investors own excessive holdings of this stock, then they should reduce their holdings.

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