

THE CHINA COMPANIES HANDBOOK

The Fourth Edition of the China Companies Handbook remains true to its predecessors. It is two books in one, covering the key data on 200 leading China investments and 20 sectors as well as a focus on a major topic. This year it is China's transformation that is under the spotlight, appropriately just as the world focuses on China ahead of the 2008 Olympics.

China's reemergence as a major power is happening with a great rush. Four years ago when we started building our database for the first edition, the idea that global investors would be interested in investing in more than a handful of China shares seemed a still-remote possibility.

Except for B Shares, the markets were closed to foreigners and there seemed to be enough China plays in Hong Kong, represented through the H-Share market. However it was clear to us that there was a wealth of opportunity if the work were done to unearth it. We felt that barriers to foreign participation in the A Share market were only temporary — it was only a question of time before China would open up its markets, just as the rest of Asia had done steadily over the years.

That said, even we have been surprised at the recent rapid growth of interest in Chinese investments, especially in the last year. In 2003, even we were driven more by circumstances than perceived near-term opportunity. SARS had brought everything to a halt, we were treated like pariahs if we ventured abroad, so we made a virtue of necessity and stayed home in Shanghai to apply ourselves to the task of building up a reliable data base on China shares, something that then did not exist as we soon discovered when we combed through all the data and checked it against, then defective, major databases.

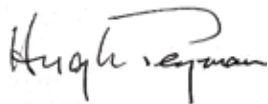
We could never have imagined a 9% fall in the Shanghai market would cause London and New York to open significantly lower. Nor could we have imagined that this keen interest in China would have been sustained. With every month there seems to be a reminder of China's

reemergence as a major world power. It is easy to overestimate this in the short term but not to doubt it in the long run.

We have selected 200 companies from our data base of more than 400 companies. Again this year we include more pure A Shares as they are generally much less well known but offer plenty of opportunity. The Location Map has been updated, making it a useful tool for trip preparation. This clearly places all the companies, with their head offices and where they differ, their operational bases. All the company details from street address and phone numbers to the names of company contacts are both in English and Chinese.

We have never underestimated the difficulty of investing in China. Indeed we are keenly aware of the pitfalls and failings that face investors. With these in mind we selected the data and information that we feel are key to understanding. Numbers alone are not enough. Background and context are just as important.

We would like to thank Reuters for sponsoring the handbook for the third year running. Especially we would like to thank Eric Hall whose keen eye for photographs is only matched by his keen sense for content. With more than century of reporting from China and a famous information-gathering tradition, Reuters is a very appropriate sponsor of this pioneering work. We have selected the 200 companies for what they represent, a broad cross-section of the China markets as well as some of the leading names. They are not recommendations to buy or sell individual stocks. We hope that the material we have presented will help investors select companies that will be of interest and merit further research.



Hugh Peyman
Research-Works
hughpeyman@research-works.com
Shanghai
December 2007



Riyaz Ladiwala
Equitymaster
riyaz@equitymaster.com
Bombay
December 2007