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Content Overview :

- The effects of the current monetary policy continue to accumulate, as loan growth dropped further, enterprise deposits decreased markedly, and the high money supply slowed down. However, the price index still rose significantly, and industrial growth broke records again.
- The overall stock market plunged, with the SSE index and the SZSE index closing at 4871.78 and 15637.7 respectively. The SSE index has accumulatively decreased 1083, a decline of 18.19%, to hit a 13-year low.
- Influenced by the bearish stock market, open-end funds generally saw a decrease in value.
- Convertible bonds plummeted with the tumble of underlying stocks in bond market.
- Since the underlying stocks of call warrants are mainly blue chips or fund-weighted stocks, call warrants plunged with the tumble in underlying stocks.
- The formal start of China's first locally-invested private fund provided a beneficial trial for the development of local private equity funds.

I. Overview of the Macroeconomy for November 2007

1. Summary

In November, monetary policy showed its effects, as loan growth continued to drop, enterprise deposits decreased markedly, and the high money supply slowed down. However, industrial growth broke records again, and price index rose significantly. Since supply exceeded demand for most commodities, the overall economy did not suffer serious inflation even temporarily. The influences of energy insufficiency and basic raw material price rise require close attention by China's policymakers.

While there are signs that some substantial reform measures will be implemented next year, it is now urgent for China's policymakers to set up an energy development and security strategy in conformity with the economic giant's status. With the new year approaching, the blueprints for the policy and reforms of next year are gradually making their debut and it appears that fiscal policy will be greatly adjusted and financial reform will move into a key stage.

Industrial growth hit a new record high again with automobile growth rebounding nicely. The value-added by industries above the designated size increased CNY 396.6 billion 18.5% in November, up 17.9% year-over-year. The accumulative value-added by industries amounted to CNY 3669.4 billion from January to November, rising 17.9% year-over-year.

Electronic communication equipment manufacturing, transport equipment manufacturing, electric machinery & equipment manufacturing, and metallurgy, contributed 46.9% of the industrial growth, prompting an 8.4% industrial growth rate for November. Among the main products of the above industries, electronic computer and microcomputers climbed 113% and 74.9% respectively year-over-year. Automobile production growth was much higher than the previous month as the output reached 419,600, a rise of 32.7 % year-over-year. Included in that was passenger car production which rose to 200,200, up 71.6% year-over-year. The accumulative output of automobiles and passenger cars amounted to 4.053 million and 1.806 million respectively from January to November, surging 33% and 81.4% year-over-year respectively. The production of steel and steel products jumped 23.3% and 28.3% year-over-year. The accumulated steel output breached 200 million tons, making China the first country whose annual steel output exceeds 200 million tons.

Consumption mounted steadily, with noticeable price increases. The total retail sales of consumer goods jumped 9.7% to CNY 420.27 billion in November and accumulatively reached CNY 4110.63 billion from January to November, a gain of 8.9% year-over-year, some 0.1% higher than the previous year-over-year's growth. More specifically, the retail sales of urban consumer goods jumped 10.9% to CNY 269.49 billion, and the retail sales of consumer goods at the country level and below advanced 7/6% to CNY 150.78 billion

The sales of most commodities grew quite rapidly. Retail sales of food, beverage, tobacco and wine increased 16.4% year-over-year, with a 22.1% growth in beverage. The retail sales of garments, shoes & caps, and knitting textiles rose 19.5%, 17.1% and 12% respectively. Among commodities,

furniture, automobiles, communication equipment and sports/entertainment goods were particularly hot, coming in at 43.1%, 42.8%, 39.1%, and 32.7% respectively. The year-over-year growth in sales for petroleum and its related products remained impressive at 36.4%. Construction and its associated decorative materials, precious metal and jewelry, household appliances and video appliances, daily necessities, traditional Chinese and western medicine grew 25.4%, 17.9%, 15.2%, 14.1%, and 5.3% respectively.

In November, the CPI was 1% higher than October, and 3% higher than the year-over-year growth we saw last year, with 2.4% rise in urban area and 3.9% rise in rural area. A 8.1% increase in food price is the main contributor to the surge in the CPI, followed by the consumer and service prices, which climbed 3.2% and 2.2% respectively year-over-year. The accumulated average CPI rose 1% year-over-year from January to November.

Investment growth and new projects continued to slow down. In real terms, however, the accumulated investment from January to November, completed by both the state-owned economy and the private sector, soared 29.6% year-over-year to CNY 3461.8 billion.

Compared with the period from January to October, the overall investment growth dipped 0.6%, with a 0.4% and 1% decrease in infrastructure and innovation respectively, but real estate development managed a slight rise of 1.2%. There were both highs and lows in the investment growth among all industries. The investment growth of metallurgy, textile and coal slipped, with a 10% drop in metallurgy, while investments on machinery, electric power, and non-ferrous metal increased slightly.

In November, completed investments amounted to some CNY 415.2 billion, a jump of 25.3%, 2.7 percentage points higher than in October. There were only 8821 new projects, another 2.6% lost to the massive plunge in November, but the growth trend seems under control. The accumulated investments on new projects skyrocketed 58.5% year-over-year from January to November, 2.1% higher than the growth from January to October.

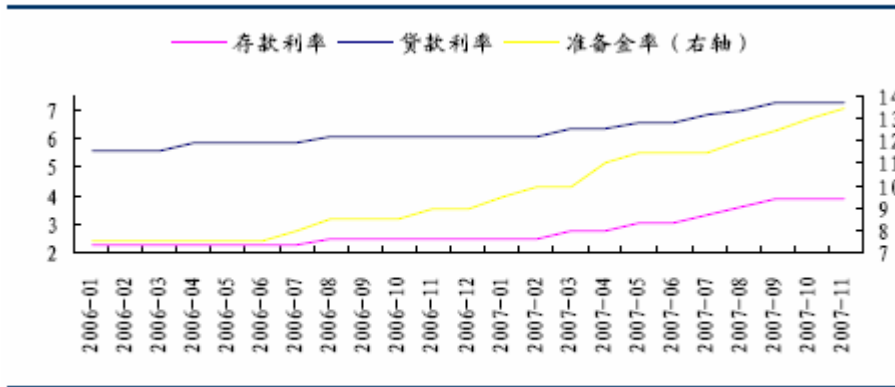
Exports accelerated with the expansion of the foreign trade surplus, while foreign capital utilization has greatly slowed down. In November, imports and exports totaled some USD 78.66 billion, a 31.3% jump year-over-year. More specifically, the total exports have surged 33.8% year-over-year to USD 41.76 billion, and have exceeded USD 40 billion for three consecutive months. At the same time, total imports rose 28.5% to reach USD 36.9 billion, and the foreign trade surplus now stands at USD 4.86 billion. From January to November, the imports & exports have soared 35.8% year-over-year to USD 760.93 billion, with exports rising 32.9% to USD 390.34 billion and imports rising 39.1% to USD 370.59 billion. For this same period, the accumulated foreign trade surplus totaled USD 19.75 billion.

From January to November, 36,616 enterprises with foreign investment were given approval by the government to establish themselves in China, an increase of 19.31% year-over-year. The total foreign investments under contract amount to USD 100.502 billion, a jump of 37.08%

year-over-year, and actual consumption of foreign capital was USD 47.154 billion, having climbed 0.20% year-over-year.

2. Relevant Statistical Data and Charts

Chart 1: Interest and Deposit Reserve Ratio (%)

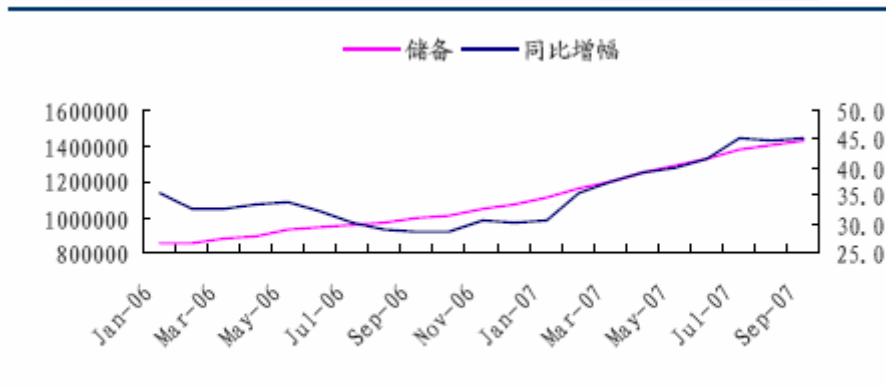


资料来源：中国人民银行，中信证券研究部

Deposit Interest Rate is denoted by the red line, and Loan Interest Rate by the blue line, and Reserve Ratio by the yellow line (right axis).

Data source: People's Bank of China and CITIC Securities Research Institute

Chart 2: Change in Foreign Exchange Reserve (million USD, %)



资料来源：中国人民银行，中信证券研究部

Reserve is denoted by the red line, and Year-over-year Growth by the blue line.

Data source: People's Bank of China and CITIC Securities Research Institute

3. Significant Events

On November 1st, the central parity rate of the CNY versus USD broke 7.46, climbing 140 basis points, under the influence of the Federal Funds Rate, which was decreased by 25 basis points to 4.5% by the Federal Reserve.

The Central Bank announced on November 10th that it would raise Renminbi deposit reserve ratio

for deposit financial institutions by 0.5% again, which is the ninth time for the Central Bank to raise the deposit reserve ratio this year.

On November 14th, Wen Jiabao, the Premier of the State Council, chaired the executive meeting of State Council, which studies market supply stabilization and welfare of residents with financial difficulties and issues plans based on its findings.

The Information Office of the State Council issued a white paper on the Chinese Political Party System on November 15th, comprehensively detailing the Chinese political party system.

On November 22nd, the CNY achieved its 72nd new high this year, having appreciated 9.42% since foreign exchange reforms were initiated.

The Ministry of Finance reported on November 26th that China would impose or raise export tariffs on 142 resource products as of June 1st next year. In particular, there would be a 5 to 10 percentage point increase to existing export tariffs on more than 80 steel products.

On November 27th, the Political Bureau of the CPC Central Committee convened a meeting to analyze the current economic situation and study economic work for next year, which was chaired by Hu Jintao, General Secretary of the CPC Central Committee.

On November 28th, Wen Jiabao presided over the executive meeting of State Council, which discussed and passed the Insurance Law of People's Republic of China (Draft) in principle, and deliberated and passed the Enforcement Regulations for Enterprise Income Tax Law of People's Republic of China (Draft) in principle.

II. Stock Market Overview for November 2007

1. Summary

It was cold in November, and the Shanghai and Shenzhen Stock Exchanges also experienced their cold time - an absolutely black month. The index kept on falling through the whole month, and both the SSE Stock Index and the SZSE Stock Index set new record lows these years.

On November 30th, the last trading day of stock market in November, the market plunged again, with the SSE index slipping 2.63% to close at 4871.78, and the SZSE index dropping 1.77% to close at 15637.7. Over the month's 22 trading days the SSE index accumulatively decreased 1083 points, a decline of 18.19%, making the decline the worst seen in 13 years. Even during the bear market between 2001 and 2005 which deeply impressed old stock investors, the biggest monthly slump in the SSE index was only 13.42%. The SZSE index, opening at 19554.58 and closing at 15637.66, accumulatively plummeted 19.93% making it the largest percentage drop in eleven years.

Due to the slump in stock market and disappearance of earnings effect, capital ceased its flow into the secondary market in large amounts but instead was almost continuously withdrawn from the secondary market and into the primary market. There were obvious crowding-out effect on the secondary market. The subscription funds frozen for IPOs continued to hit new highs, from the China Construction Bank, China Shenhua Energy Co., Ltd., PetroChina Co., Ltd. (PetroChina), to China Railway Group Ltd. (China Railway). The funds of China Railway reached CNY 3.38 trillion, exceeding those of PetroChina. (A stock), CNY 3.37 trillion.

A considerable amount of capital remained tied up in the stocks in secondary market. The data show that during this run of correction, many individuals stock prices have sunk even below the level on "May 30th". From "May 30th" to November 27th, more than 400 stocks tumbled 30%, 700 stocks plunged 20%, and about 500 stocks fell to below CNY 10.

The majority of tied-up stocks come in two types. One type is represented by PetroChina, which declined from CNY 48.62 to CNY 32.55, and is comprised of entities with locked-in capital exceeding CNY 100 billion. The other type is top-price stocks. According to the statistics, 21 stocks whose prices hit the ceiling above CNY 95 in October, slumped to the bottom in November, down an average of 34.82%. In particular, the China State Shipbuilding Co., Ltd. with the highest share price on mainland stock exchanges, tumbled from the ceiling CNY300 to the floor CNY 190.08, a 36.64% correction. Among 15 stocks with a par value of CNY 100 each, 10 stocks were sold below CNY 100. These stocks are mostly fund-weighted stocks, and their selloff indicates that the revaluation process for blue chips to stabilize at a reasonable price continued, thus contributing to cautious behavior in the market.

Due to partial funds falling below NAV, funds came under strong redemption pressure. Although many funds posted that they were fully capable of coping with redemption pressure thanks to low positions in the previous period, the pressure may intensify with the continued decline in share market.

As fund splits and centralized subscription of open-end funds converted from closed-end funds did not arouse an investor frenzy, the flourishing period for net subscription is now past, and it has become extravagant to hope to raise capital through funds.

In terms of after-market development, brokers and investors seem to believe that the main phases of the stock market correction have been basically completed. Although the slump in stock index from 6124 in the middle of October to current 4778 was a major tumble, the decreasing trend was drawing to an end. However, after such a plunge, it will be some time before the stock index makes a favourable turn into sustained positive growth. Some professionals have pointed out that as some individual mid and small-cap stocks had experienced great corrections earlier and were in a bottom-building process during the November correction, its decline would slow down and that the selloff was unlikely to continue. Following the overall decline, heavyweights represented by PetroChina, the market's heaviest-weighted stock, began falling at an increasing pace starting Friday, which is usually an important sign of a bottoming out. Once the heavyweights dip into the red, the long-stored rebound impetus may burst forth.

2. Relevant Statistical Data and Charts

Table: Indicator of Stock Market's Overall Scale (by November 30th)

Name	SSE A Share	SSE B Share	SZSE A Share	SZSE B Share
Listed Company	835	51	638	51
IPO Company	0	0	0	0
Special Treatment	103	3	100	4
Total Capital (million shares)	1,923,752	38,853	297,171	46,059
Total Negotiable Capital (million shares)	321,679	11,648	142,680	12967
Total Negotiable Market Capitalization (CNY million)	5,473,552	17,093	2,281,069	116,947
Market Capitalization (CNY million)	31,708,408	52,623	4,559,552	416,105
Daily Total Turnover (CNY thousand)	69,131,248.10	185,039.70	29,149,060.00	860,214.10
Change in Turnover Compared with Previous Day (%)	-14.23	131.27	-16.10	65.37
Daily Total Trade Volume (thousand lots)	42,479.90	834.80	17,962.70	720.50
Change in Trade Volume Compared with Previous Day	-14.28	61.77	-13.04	11.20

(%)

Average Earning per Share (CNY)	0.21	0.09	0.13	0.10
Average P/E	79.02	127.93	121.33	91.88
Average Market Price (CNY)	16.68	1.37	16.95	8.48

3. Significant Events

On November 5th, the Public Offering Review Committee of the CSRC announced the approval of an A-share IPO of the China Railway, marking the formal start of the domestic and overseas listing of the China Railway Engineering Group Co., Ltd. after its overall restructuring.

On November 6th, with the high-profile trading debut made by the leading company PetroChina, the market capitalization of the Shanghai and Shenzhen Stock Exchanges hit a new record high of CNY 33.62 trillion.

The PetroChina stock fell for seven consecutive trading days since it joined Shanghai Composite Index and CSI 300 Index on November 19th with its market capitalization shrinking nearly CNY 1 trillion. Meanwhile, it dragged down Shanghai Composite Index by 204 points.

On November 23rd, China Railway made a strong debut on the Hong Kong Stock Exchange, becoming the first company to be first listed on the mainland markets and then on the Hong Kong market.

On November 27th, the Ping An Insurance (Group) Company of China, Ltd. acquired 4.18% stake of Fortis NV.

On November 28th, the China Financial Futures Exchange announced 17 new members in the third batch, as the total number of members reached 39.

III. Fund Market Overview for November 2007

1. Summary

The performance of large-cap blue chips and second-tier blue chips continue to exert a great influence on the stock index. As they return to the rational valuation range after full correction, the stock index will subsequently become stable. Partial growth stocks and theme stocks will have a good performance. The market hot issues will be growth oriented. Industries benefiting from the CNY's appreciation, industries in the prosperity phase of the business cycle, industries with rising consumption prices and individual stocks will perform well after market stabilizes. In particular, finance, coal, communication, medicine, tourism and chain business, and individual stocks related to restructuring, capital injection, overall listing, especially integration of central-owned enterprises should perform well at that point. Blue chips and second-tier blue chips also tend to rebound after outsize corrections similar to this one.

Influenced by the bearish stock market, open-end funds generally lost value. In December, the overall stock market should fluctuate substantially as it seeks and builds its bottom level. Investors who can pay attention to active stock (nonindex) funds and hybrid funds with good stock-picking and market-timing abilities after market stabilization should find profitable opportunities. They may also find some among SME index funds with good growth among those passive index funds. Due to the expected tight micro-control policy, the outlook for yields in the bond market is not optimistic for December. Investors should notice that the bond funds participate largely in the IPO market. There are some expectations that in December there will be numerous IPOs, an interest rate increase by the Central Bank and further tight macro-control policy. Monetary funds - good conservative defense funds are expected to gain a stable high income.

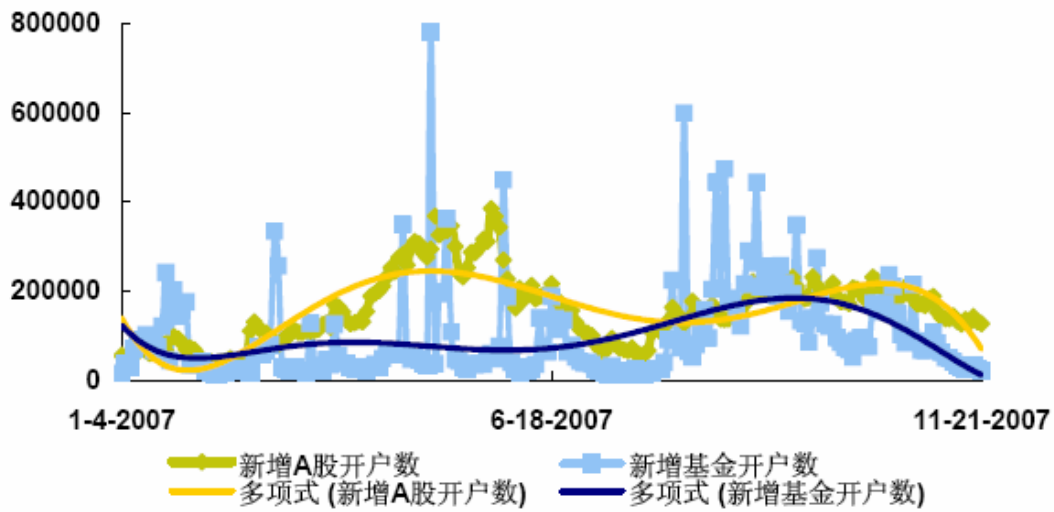
In the short and medium run, the main factors pushing the recent rise in closed-end funds include a high discount, dividend expectations, and capital defense needs in this volatile market. After the market becomes stable in December, investors should be concerned with the high discount of many closed-end funds.

After going through this lengthy correction in the stock market, fund investors were in a complicated mood while considering specific operations to take during this time of correction and redemption. Keeping a fund's management level and investment features, and its' investment strategy in mind, long-term investors should continue to hold high quality funds and short-term investors should pay close attention to funds investing in mid and small-cap stocks, or SME ETFs.

2. Relevant Statistical Data and Charts

Table 3: Monthly Fund Issue

Chart 1: Number of New Accounts Opened for A Share & Fund



来源: 国金证券研究所

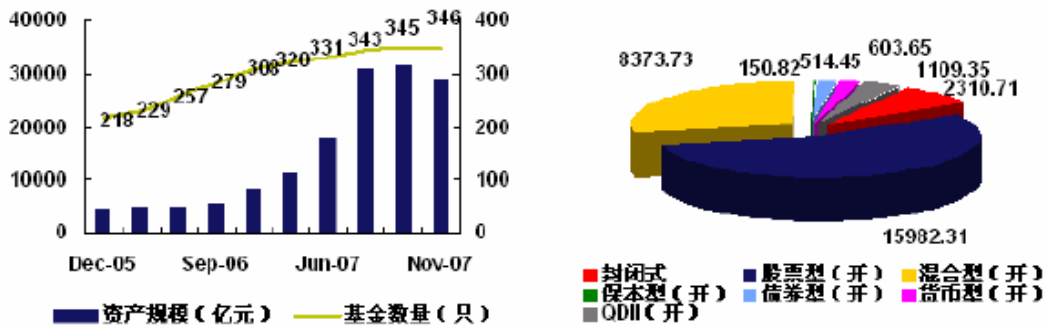
Number of New A Share Account Opened is denoted by yellow broken line, Number of New Fund Account Opened by blue broken line, Polynomial Fitting (Number of New A Share Account Opened) by yellow curve, and Polynomial Fitting (Number of New Fund Account Opened) by blue curve. .

Data source: SINOLINK Securities research institute

Chart 2: Industrial Development of Fund

Asset Size (CNY 100 million) is denoted by blue, and Fund Volume by yellow.

Data source: SINOLINK Securities research institute



来源: 国金证券研究所

Chart 3: Comparison of Fund Size

Closed-end is denoted by red, Stock (Open-end) by dark blue, Hybrid (Open-end) by orange, Principal Guaranteed (Open-end) by green, Bond (Open-end) by Cambridge blue, Currency (Open-end) by rose, and QDII (Open-end) by gray.

Chart 4: New Fund

Fund Name	Fund Type	Fund Company	Fund Manager	Size (million)
China	QDII	China	Yang Yifeng	29572

International Asia Pacific Fund		International Fund Management Co., Ltd.		
Data source: SINOLINK Securities Research Institute				

3. Significant Events

On November 4th, the CSRC made it clear for the first time that fund companies must ensure that the fund size is limited to the amount it committed to investors within six months from the date it released its announcement or relevant promotion materials.

On November 8th, the China Insurance Regulatory Commission officially granted Ping An Insurance (Group) Company of China Ltd. and Huatai Insurance Company of China Limited licenses to invest in H-shares and red-chip shares in Hong Kong stock market, marking the official debut of insurance QDII.

From November 12th to 18th, the split plans of Constituent Stocks Selected Fund under the Golden Eagle Asset Management Co., Ltd. and Core Value Fund under the ICBC Credit Suisse Asset Management Co., Ltd. were approved, with an upper limit of the splits reaching CNY 10 billion.

On November 16th, the most significant case of an Internet -based fraudulent fund was made public.

On November 20th, the last short and medium-term bond fund in the stock exchange publicized its only resolution in the fund holders' meeting – conversion of the E-Fund Monthly Income Short and Medium-Term Bond Fund. Two years and three months since their emergence, 6 short and medium-term bond funds have all completed the conversion.

The statistical data on November 20th showed that market capitalization of stocks held by social insurance funds was CNY25.637 billion, CNY 4.368 less than October 15th, a 17.04% decrease, with over 18% shrinkage rate for four social insurance portfolios.

On November 23rd, stock funds that declined below par value amounted to 41, or 45 if 4 QDII funds included.

The SSE data on November 26th indicated that the net subscriptions of China SSE 50ETF, Hua An SSE 180ETF, and AIG-Huatai Fund Dividend ETF reached 78 million, 1.2 million, and 13.5 million respectively, and the 50ETF made the first record of net subscriptions in three consecutive weeks.

IV. Bond Market Overview for November

1. Summary

The SSE index slumped in November, in contrast to its continued rise in earlier periods. The index showed a continuous decrease in fluctuation throughout the month, and thus the risk of stock market was diminished to some extent. Due to being deep in the money, many convertible bonds had quite weak bond features, convertible bonds followed their underlying stocks closely, plummeting with the tumble of their underlying stocks.

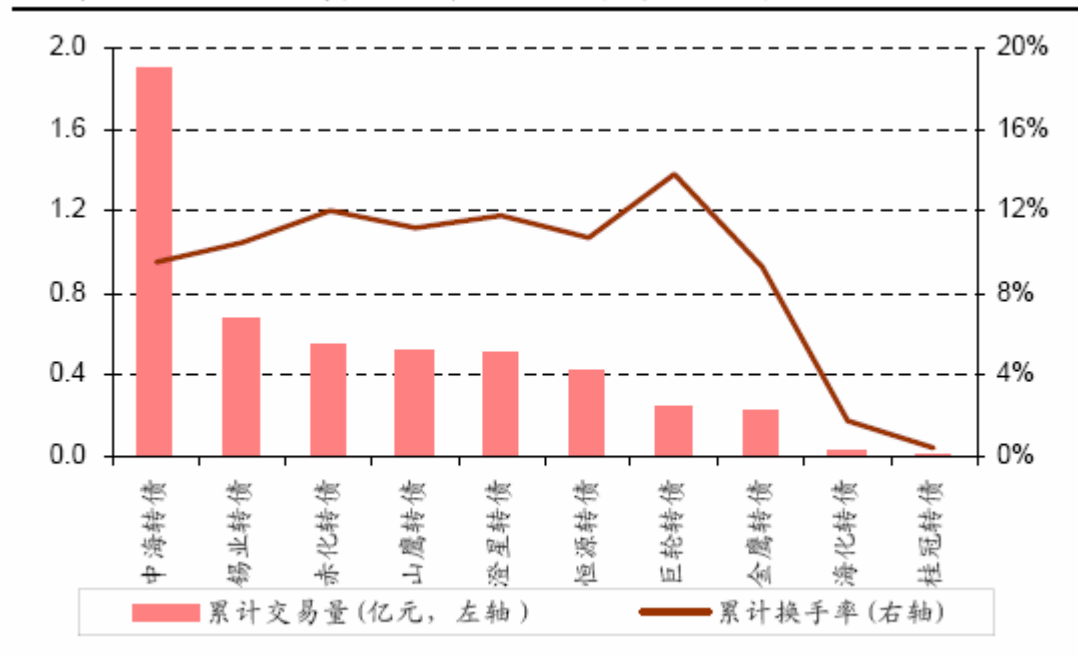
The SSE Composite Index closed at 4871.78 on November 30th, a cumulative slump of 18.19% over the month as a whole. In November, the trading volume of stock market fell, and total trading turnover of the SSE went beyond CNY 1760 billion, with the average daily trading turnover exceeding CNY 80 billion, a decrease of over CNY 50 billion from the previous month. The T-bond market was quite stable this month. Due to market expectations that the likelihood of further adjustments to the benchmark interest rate had decreased, some confidence in bond market resumed, and capital status may remain loose for the remainder of the year. On November 30th, the SSE T-bond Index increased 0.20% month-on-month to close at 110.17, with trading turnover slightly reduced to CNY 7.35 billion. The enterprise bond index continued slipping, with the SSE Enterprise Bond Index closing at 113.63 on November 30th, some 0.35% lower than the previous month. The trading turnover of the enterprise bond market collapsed to only CNY 795 million.

The underlying stock index of BOCI Convertible Bond closed at 365.19 at end of November, retreating 22.61% month-on-month, while the BOCI Convertible Bond Index closed at 310.20 at end of November, dropping 18.83% month-on-month. The decline in convertible bond was close to that of underlying stock, and the volume of convertible bond relative to its underlying stock was 0.83.

When the underlying stocks lack a favourable status, convertible bonds are at high risk. The plunge in convertible bonds was largely due to the crash in the underlying stocks, triggered by high overvaluation of some convertible bonds earlier. Many convertible bonds were deep in the money and at least partially overestimated, and thus showed weak resilience. A handful of convertible bonds with high premium rates, were particularly overvalued, having no advantage over underlying stocks in investment value.

2. Relevant Statistical Data and Charts

Chart 1: Top 10 Trading Turnover and Turnover Rate of Convertible Bonds

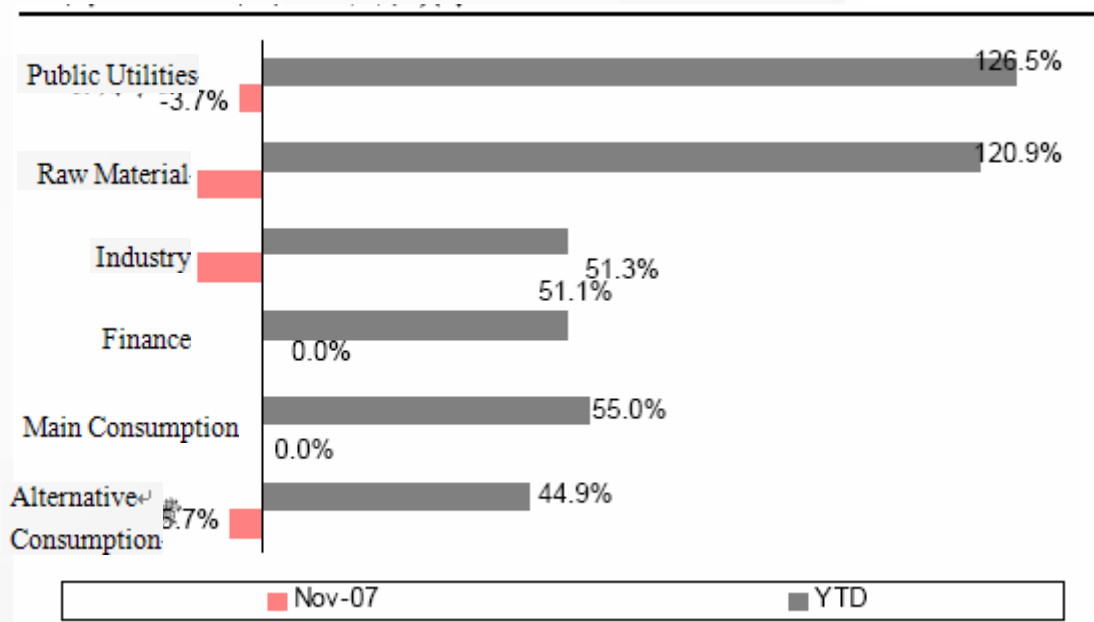


数据来源: 中银国际

Accumulated Trading Turnover (CNY 100 million, left axis) is denoted by red, and Accumulated Turnover Rate (right axis) by dark red.

Data source: BOC International

Chart 2: Performance of Convertible Bonds across Industries



数据来源: 中银国际

Data source: BOC International

3. Significant Events

The Securities Times reported on November 7th that the Agricultural Development Bank of China released 3-year floating rate financial bonds (20th issue) in the interbank bond market by inviting bids. The accepted interest rate was 55 basis points, beyond the market expectations.

The Securities Times reported that the People's Bank of China announced that it planned to issue central bank bills worth CNY 9 billion in public market on November 8th, doubling the amount over the same period the previous week.

The central bank announced that it would issue 1-year central bank bills with an upper limit of CNY 3.5 billion on November 13th.

On November 26th, the SSE T-bond index rose 0.14% to close at 110.21, exceeding the previous high set on September 11th, as trading turnover reached CNY 314 million.

On November 27th, the central bank issued 1-year central bank bills worth CNY 10 billion to public, a big jump from previous week. Despite low absolute value, the issue of CNY 10 billion in bills can be regarded as a "Climax".

It was reported on November 29th that the ministry of Finance had decided to issue 3-month book-entry T-bonds (19th issue) at a discount with proposed total par value of CNY 30 billion.

It was reported by the Securities Times on November 30th that the overall interbank repo rates increased markedly near noon, as the issue of large-cap stocks approached, capital demands extended from medium and long-term to short term, and effect of IPO subscription emerged again.

V. Overview of Warrants Market in November 2007

1. Summary

The A-share market experienced amazing tumble in November. The SSE index fell 18.19%, a percent decline not seen in 13-years, from the ceiling 6005.13 to a lengthy stay around 4800, but finally closing out the month at 4871.78. Before the crash, a batch of second and third-tier stocks had completed their corrections and were initially stable. The slump was therefore mainly felt by the first-tier blue chips, which are typically fund-weighted stocks, and whose involvement is a main characteristic of this collapse. Since the underlying stocks of call warrants were mainly blue chips or fund-weighted stocks, the call warrants plunged in value with the corresponding tumble in their underlying stocks.

As for the underlying stocks, warrants of the Shenzhen Development Bank (A stock), Sinochem International and Maanshan Iron & Steel suffered the biggest slump, decreasing 24.91%, 24.09%, and 22.07%, respectively. In terms of warrant itself, SFC1 (of Shenzhen Development Bank), Sinochem CWB1, and Yuntianhua CWB1 led the plummet, falling 37.75%, 31.80%, and 23.01%, respectively. Due to being mature before overall slump, Qiaocheng HQC1 performed well this month. Taking trading deadline of Qiaocheng HQC1 as a statistical benchmark, Qiaocheng A stock showed a rise, but in real terms, Qiaocheng A stock still declined 11.96%.

Being valueless, put warrants failed to play a hedging role in the overall slump, and fell along with underlying stocks except the end of the month when a rebound occurred. Three remaining immature put warrants all suffered a slump, with CSA JTP1, Valin JTP1, and Wuliang YGP1 dropping 36.6%, 33.5%, and 18.79% respectively, and the matured put warrant CIMC ZYP1 slid 98.90%.

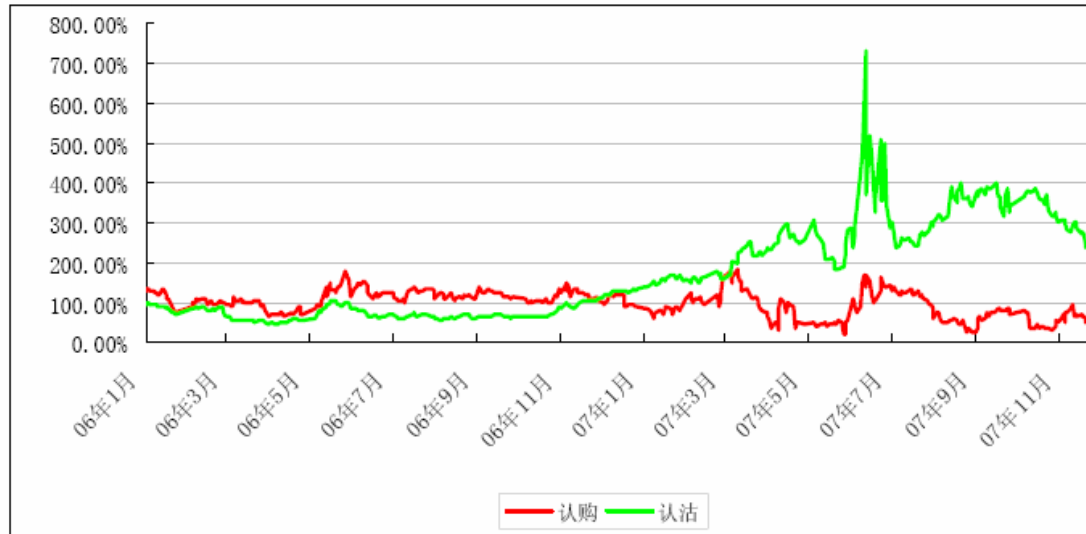
The steel sector initiated a correction in the late September, rallied in middle October, and led the decline again in November. While it is stable for the short term, it seems unlikely to rise. The Maanshan Iron & Steel Co., Ltd., Wuhan Iron & Steel Co., Ltd., and Panzhihua New Steel & Vanadium Co., Ltd. went down 22.07%, 16.56%, and 5.52%, respectively, and the corresponding Maanshan CWB1 and Wuhan CWB1 decreased 20.87% and 10.67%, respectively, while Steel Vanadium GFC1 edged up 2.19%.

The trading volume of call warrants increased 35.36% month-on-month to 248.1528 million lots,, with a trading turnover of CNY 259.52 billion, up some 11.85% month-on-month. The trading volume of put warrants rose 74.99% month-on-month to reach 2237.1376 million lots, and is mainly attributed to speculation on the CIMC warrant with a short residual maturity. The trading turnover of put warrants eased 4.31% month-on-month to CNY 212.902 billion. Although the speculation on CIMC call warrants expanded the trading volume, the trading turnover did not increase due to a low absolute price.

2. Relevant Statistical Data and Charts

Chart 1: Comparison of Change in Call / Put Warrants (call warrants denoted as red, and put warrant

denoted as green, by November 30th)



资料来源:平安证券衍生产品部

Data source: Ping An Securities, Derivatives Department

3. Significant Events

On November 1st, the Shenzhen Development Bank released an announcement on risk reminding that SFC1s were nearing maturity. The first, Yili CWB1, would mature on November 14th, only five trading days in the future, and the exercise deadline of the others, Qiaocheng HQC1 and CIMC ZYP1 would be on November 23rd, with Sinochem CWB1 maturing on December 17th.

The SSE released a research report jointly made with Guotai Junan Securities Research Centre on November 3rd, which stated that warrant creation mechanism, established with a view to restraining irrational speculation of warrant, was favourable to the healthy development of the warrant market; that creation behaviour was legitimate with approval of shareholders' meeting by voting; and that they did not recommend that individual investors be allowed to trade put warrants as they carry too huge a risk.

Xinhuanet reported that the research report released by the Securities and Futures Commission on November 8th indicated that the average daily number of stock options contracts traded in Hong Kong climbed 129% year-over-year to 168,392 in the previous nine months of 2007. Hong Kong surpassed Australia to become the briskest stock option market in Asia.

It was reported by the Panorama Network Co., Ltd. on November 16th that the CITIC Guoan (28.39, 0.36, 1.28%) (000839) and its warrant Guoan GAC1 were temporarily suspended.

It was the last trading day of the CIMC ZYP1 on November 16th. With theoretical value equaling zero based on Black-Scholes, it was almost confirmed as not to be exercised. The issuer, COSCO Pacific Limited would settle the financial liabilities held for trading.

The statistical data of the SZSE on November 23rd indicated that exercise volume of Qiaocheng HQC1 was 149 million, up to 99.877% of the total issue, the highest conversion ratio of call warrants since the listing of warrants due to 2005's equity division reform.

On the last exercise day, November 23rd, no CIMC ZYP1s had been exercised, and the shares indirectly held by shareholder COSCO Pacific Limited remained unchanged.

The total trading turnover of warrants in both stock exchanges amounted to CNY 29.92 billion, slightly more than that of stocks in the SZSE, some CNY 29.25 billion. Rises in the three put warrants were all above 10%.

The first disputed case of warrant information disclosure was finalized when the trial ended with the defeat of the investors on November 30th.

VI. Overview of Venture Capital Market in October 2007

1. Significant Events

With more than six months' preparation, the Bohai Industrial Investment Fund and Tianjin Pipe (Group) Corp. signed the first investment contract on November 1st, which not only marked the formal start of the China's first locally-invested private fund, but also provided a beneficial trial run for the development of local private equity funds.

On November 6th, SOHO China announced it had acquired two property projects in Beijing for CNY 2.44 billion, named Guanghua Road SOHO 2 and SOHO Beijing Residence.

The largest alternative investment fund in UAS, Istithmar, formally set up an office in Shanghai on November 8th, which will be its Asian investment headquarters. The CEO of Istithmar, David Jackson stated that it would make long-term investments in China.

The third quarterly report released by the Blackstone Group on November 12th showed that the total revenue for the third quarter was USD 527 million, with USD 113 million in loss. With the decline in the value of Blackstone on November 13th, the State Investment Company suffered a heavy loss in book value, some CNY5.5 billion.

On November 19th, an American private equity fund company, the Carlyle Group agreed to invest USD 100 million in China's largest private-owned hotel management company, New Century Tourism Group.

On November 23rd, an insider of travel search website Qunar.com stated that the company has received joint investments from a group of venture capital companies, led by Lehman Brothers Inc. to the tune of USD 10 million.

The Nasdaq Stock Market, Inc. announced on November 27th that it has launched the NASDAQ Internet Index, which is designed to track the performance of companies engaged in a broad range of internet-related services.

On November 28th, China's leading internet education provider ChinaEdu Corporation has submitted its application to be listed in the US.

It was reported on November 29th that the Securities Commission of Malaysia was entitled to approve the merger plan of Nanyang Press Holdings, Sin Chew Media Corp Bhd and Ming Pao Co. Ltd.

It was reported on November 30th that the Walt Disney Company established a new department responsible for acquisitions in 2008. The acquisition will be mainly targeted at consumer-oriented websites and that Disney would carry out some 20 acquisitions.