



中国：资本品：电气设备

对风电潜力的期望过高；将东方电气 H 股放入强力卖出名单 (摘要)

风电发展潜力大，但市场寄予的期望更大

我们认为三家发电设备企业股票近期的出色表现在很大程度上归因于：1) 投资者关注于风电和核电装机容量的增长；2) 市场预计燃煤机组装机容量将复苏。对于第一点原因，我们认为电力结构的多元化以及风电和核电的快速增长确实可以带来长期受益，但在我们看来，发电设备股的估值可能无法持续，对于东方电气而言尤其如此。对于第二点原因，我们仍然认为燃煤机组装机容量无法在短期内恢复强劲增长。我们将基于贴现现金流方法的 12 个月目标价格上调了 3%-57% (估值基础延展至 2010 年)、2009-2011 年每股盈利预测调整了 -23%-39%。主要假设变动：销量上升、利润率降低和运营资本增长放缓。

东方电气：估值过高的影响凌驾于题材潜在受益者的影响之上

我们假设东方电气 2008-2011 年风电设备销量的年均复合增长率为 65%。尽管我们预计风电设备销量将占东方电气 2010 年预期总收入的 27%，但从基于投资资本现金回报率、估值、市盈率和 EV/EBITDA 这些估值指标来看，东方电气当前股价对应的估值已经持平于或高于全球风电设备制造商。我们认为火电设备在总收入中的占比为 59% 意味着东方电气的估值应该较低，因为火电的增长前景较为黯淡。

对燃煤机组装机容量增长快速复苏的预期可能缺乏依据

近来，独立发电企业重新公布了大规模扩张装机容量的目标。然而，我们认为融资上的限制和仍然冗长的政府审批过程可能会延迟装机容量的增长。我们假设 2008-2011 年全国燃煤机组装机容量的年均复合增长率为 5%，而 2005-2008 年的年均复合增长率为 15%。尽管钢铁成本下降，但随着燃煤电厂需求的走软和低利润率业务对收入的贡献上升，我们认为发电设备企业的毛利率难以复苏。

将东方电气 H 股加入强力卖出名单，当前股价对应的 2010 年预期市盈率为 20 倍

由于销量好于预期，我们将行业评级上调至中性。由于当前股价的潜在下行空间收窄，我们将哈尔滨动力和上海电气的评级从卖出上调至中性。然而，我们将东方电气 (H) 加入强力卖出名单，原因是我们认为其相对于自身历史均值、MSCI 中国指数和全球主要风电设备制造商的较高估值缺乏支撑。我们 30 港元的目标价格意味着 29% 的潜在下行空间。我们对东方电气 (A) 维持卖出评级。

*全文翻译将随后提供

主要变动

强力卖出名单：

将东方电气 H 股 (卖出) 加入强力卖出名单

评级上调：

从卖出上调至中性：哈尔滨动力和上海电气

东方电气 H 股 (卖出, 强力卖出名单)

主要数据	当前
股价 (HK\$)	42.00
12 个月目标价格 (HK\$)	30.00
市值 (HK\$ mn / US\$ mn)	37,044.0 / 4,779.8
外资持股比例 (%)	-

	12/08	12/09E	12/10E	12/11E
每股盈利 (Rmb) 新	0.58	1.81	1.83	1.69
每股盈利调整幅度 (%)	0.0	31.2	(2.1)	(13.3)
每股盈利增长 (%)	(78.6)	210.0	1.3	(7.8)
每股摊薄盈利 (Rmb) 新	0.54	1.81	1.83	1.69
市盈率 (X)	63.4	20.5	20.2	21.9
市净率 (X)	15.7	10.8	8.2	6.7
EV/EBITDA (X)	6.8	11.8	9.9	9.9
股息收益率 (%)	0.6	2.0	2.0	1.9
净资产回报率 (%)	20.8	62.5	46.2	33.7

资料来源：Datastream、公司数据、高华证券研究预测

估值概要

公司名称	股票代码	股票评级	12个月目标价格	市盈率 2010E
东方电气 (H)	1072.HK	卖出*	HK\$ 30.00	20
东方电气 (A)	600875.SS	卖出	Rmb 36.00	26
哈尔滨动力	1133.HK	中性	HK\$ 6.80	13
上海电气	2727.HK	中性	HK\$ 3.50	15

*表明该股位于强力卖出名单

我们基于贴现现金流方法的 12 个月目标价格面临的上行/下行风险：销量和利润率高于/低于预期

资料来源：Datastream、高华证券研究预测



China: Capital Goods:Electrical Equipment

Wind potential overblown; add Dongfang-H to Conviction Sell

Wind power potential high, but market expectation even higher

We believe much of the recent share price outperformance of the three power equipment makers has been due to: 1) investor interest in wind and nuclear power capacity growth; and 2) market expectations of a recovery in coal-fired capacity. On 1), **we see the long-term benefits of fuel diversity and the strong growth rates of wind and nuclear power, but suspect the valuation has become unsustainable for Dongfang Electric especially.** On 2), we still believe the strong growth of coal-fired capacity is not returning anytime soon. We revise our 12-month DCF-based target prices by 3% to 57% (rolling over our base year to 2010) and 2009E-2011E EPS estimates by -23% to +39%. Key assumption changes in general: higher sales output, and lower profit margins and working capital growth.

Expensive valuation overwhelms thematic potential for Dongfang

We assume wind power equipment outputs for Dongfang to grow at a 2008-2011E CAGR of 65%. Although we expect Dongfang's wind output to make up 27% of its total 2010E revenue, it is already trading in-line/above global wind equipment makers on several 2010E valuation metrics, e.g. CROCI-based valuation, P/E and EV/EBITDA. We think the 59% thermal revenue deserves a lower valuation given its lower growth prospects.

Hopes for fast recovery of coal-fired growth may be misplaced

Recently, IPPs have resumed offering aggressive capacity growth targets. Yet, we think financing constraints and still lengthy government approval processes may delay capacity growth. **We assume national coal-fired capacity to grow at a 2008-2011E CAGR of 5% vs. 2005-2008 CAGR of 15%.** With softer demand from coal-fired plants and rising revenue mix from lower-margin segments (e.g. wind and nuclear equipment), we see difficult gross margin recovery for equipment makers despite cheaper steel costs.

Add Dongfang Electric (H) to Conviction Sell List on 20X 2010E P/E

We upgrade our sector stance to Neutral on better-than-expected sales volume. We upgrade Harbin Power and Shanghai Electric to Neutral from Sell on now smaller potential downside to share prices. However, we add Dongfang Electric (H) to Conviction Sell List as we think its high valuation is unwarranted vs. its historical average, MSCI China, as well as to major global wind equipment makers. Our target price of HK\$30 implies 29% potential downside. We maintain our Sell rating for Dongfang Electric (A).

KEY CHANGES

On Conviction Sell List:

Add Dongfang Electric-H (Sell) to Conviction Sell List

Rating upgrade:

To Neutral from Sell: Harbin Power and Shanghai Electric

DONGFANG ELECTRIC-H (SELL, CONVICTION LIST)

Key data	Current
Price (HK\$)	42.00
12 month price target (HK\$)	30.00
Market cap (HK\$ mn / US\$ mn)	37,044.0 / 4,779.8
Foreign ownership (%)	-

	12/08	12/09E	12/10E	12/11E
EPS (Rmb) New	0.58	1.81	1.83	1.69
EPS revision (%)	0.0	31.2	(2.1)	(13.3)
EPS growth (%)	(78.6)	210.0	1.3	(7.8)
EPS (dil) (Rmb) New	0.54	1.81	1.83	1.69
P/E (X)	63.4	20.5	20.2	21.9
P/B (X)	15.7	10.8	8.2	6.7
EV/EBITDA (X)	6.8	11.8	9.9	9.9
Dividend yield (%)	0.6	2.0	2.0	1.9
ROE (%)	20.8	62.5	46.2	33.7

Source: Datastream, Company data, Gao Hua Securities Research estimates.

VALUATION SUMMARY

Company	Ticker	Stock rating	12-m target price	P/E (X) 2010E
Dongfang Electric (H)	1072.HK	Sell*	HK\$ 30.00	20
Dongfang Electric (A)	600875.SS	Sell	Rmb 36.00	26
Harbin Power	1133.HK	Neutral	HK\$ 6.80	13
Shanghai Electric	2727.HK	Neutral	HK\$ 3.50	15

*Denotes stock is on Conviction list.

Upside/downside risks to our 12-month DCF-based target prices: higher/lower-than-expected sales and gross margin.

Source: Datastream, Gao Hua Securities Research estimates.

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The prices in the body of this report are based on the market close of September 28, 2009.

The author would like to thank June Zhu for her valuable contributions to this publication.

Snapshots of changes to rating, target prices and EPS estimates

Exhibit 1: Changes to ratings and DCF-based 12-month target prices

Company	Ticker	Rating changes		28-Sep-2009		Price target		Change (%)	Potential up/downside
		New	Old	Closing price	New	Old			
Dongfang Electric (H)	1072.HK	Sell*	Sell	HK\$ 42.00	30.0	22.5	33%	(29%)	
Dongfang Electric (A)	600875.SS	Sell	Sell	Rmb 48.50	36.0	23.0	57%	(26%)	
Harbin Power	1133.HK	Neutral	Sell	HK\$ 7.40	6.8	6.6	3%	(8%)	
Shanghai Electric	2727.HK	Neutral	Sell	Rmb 3.66	3.5	2.4	46%	(4%)	

Notes: 1) * This stock is on our Conviction list. 2) A-share target prices are subject to assumptions in A-share premium and HK\$/Rmb exchange and so their changes are different from changes in Hong Kong shares. 3) For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: Datastream, Gao Hua Securities Research estimates.

Exhibit 2: Changes to 2009-2011 EPS estimates in reporting currency

Company	2009E EPS		Change (%)	2010E EPS		Change (%)	2011E EPS		Change (%)
	New	Old		New	Old		New	Old	
Dongfang Electric (A and H)	1.81	1.38	31%	1.83	1.87	(2%)	1.69	1.95	(13%)
Harbin Power	0.50	0.58	(14%)	0.51	0.63	(20%)	0.49	0.64	(23%)
Shanghai Electric	0.23	0.17	39%	0.22	0.19	13%	0.21	0.20	8%

Source: Gao Hua Securities Research estimates.

Exhibit 3: Reuters consensus estimates show that majority of the ratings on Dongfang are Buy vs. our Sell rating

Company	Currency	Target Prices			Range of Consensus	GH Rating	% of "Buys" in Consensus	% of "Sells" in Consensus
		GH	Consensus	Difference				
Dongfang Electric - H	HK\$	30.0	39.4	24% below	22.6 - 50.1	Sell*	65%	18%
Dongfang Electric - A	Rmb	36.0	39.9	10% below	11.9 - 53.0	Sell	79%	14%
Harbin Power	HK\$	6.8	7.6	11% below	4.5 - 11.2	Sell	21%	50%
Shanghai Electric	HK\$	3.5	3.3	5% above	1.5 - 4.5	Neutral	13%	47%

* This stock is on our Conviction list.

Source: Reuters, Gao Hua Securities Research estimates.

Exhibit 4: Our Dongfang 2010E EPS estimate is below Reuters consensus possibly on lower assumed output/margin

Company	Currency	GH estimates		Consensus		Difference	
		2009E	2010E	2009E	2010E	2009E	2010E
Dongfang Electric	Rmb	1.81	1.83	1.75	2.18	3%	(16%)
Harbin Power	Rmb	0.50	0.51	0.54	0.58	(6%)	(12%)
Shanghai Electric	Rmb	0.23	0.22	0.19	0.21	23%	6%

Source: Reuters, Gao Hua Securities Research estimates.

Exhibit 5: We assume generally declining output for coal-fired equipment

YoY change (%) in key assumptions for Dongfang Electric, Harbin Power, and Shanghai Electric

Dongfang Electric	2008	2009E	2010E	2011E
Output volume (MW)				
Boilers	26,437	22,653	20,040	16,908
yoy change (%)	14%	(14%)	(12%)	(16%)
Turbines	22,000	27,651	24,462	20,638
yoy change (%)	(14%)	26%	(12%)	(16%)
Turbine generators	26,230	22,476	19,883	16,775
yoy change (%)	1%	(14%)	(12%)	(16%)
Hydro	6,605	4,798	3,275	3,138
yoy change (%)	27%	(27%)	(32%)	(4%)
Wind	1,200	1,992	3,606	5,386
yoy change (%)	285%	66%	81%	49%
Nuclear	-	-	-	1,200
yoy change (%)	-	-	-	-

Harbin Power	2008	2009E	2010E	2011E
Output volume (MW)				
Thermal	29,367	24,682	19,218	15,564
yoy change (%)	16%	(16%)	(22%)	(19%)
Hydro	5,734	5,825	3,893	3,843
yoy change (%)	(5%)	2%	(33%)	(1%)
Nuclear	-	-	-	800
yoy change (%)	-	-	-	-

Shanghai Electric	2008	2009E	2010E	2011E
Output volume (MW)				
Boilers	24,860	25,330	18,976	15,812
yoy change (%)	(8%)	2%	(25%)	(17%)
Turbines	27,030	27,541	20,632	17,192
yoy change (%)	(21%)	2%	(25%)	(17%)
Turbine generators	28,680	29,222	21,892	18,242
yoy change (%)	6%	2%	(25%)	(17%)
Wind	250	424	1,236	1,978
yoy change (%)	700%	70%	191%	60%
Nuclear	-	-	-	800
yoy change (%)	-	-	-	-

Source: Company data, Gao Hua Securities Research estimates.

Add Dongfang Electric to C-Sell List; upgrade Shanghai Electric

Add Dongfang Electric (H) to Conviction Sell List

Upon detailed review of the 1H09 results, we have revised our forecasts. Our original forecasts for certain 2009E outputs and margins may seem conservative in hindsight. We believe part of the reason for higher-than-expected volume sales for 1H09 could be due to delay in product delivery from 2H08 to 1H09. However, we see smaller impacts of such as we go into 2H09 and 2010 (see Exhibit 6 for major changes to assumptions).

We add Dongfang Electric H-share to the Conviction Sell List (still Sell rated) on unwarranted valuation. Dongfang's 2010E P/E is 20X vs. its 2003-2009 average of 14X and MSCI China's 2010E P/E of 12X (per our Global ECS Research team's forecast). We raise our 12-month DCF-based target price by 33% to HK\$30 (implying 29% potential downside) and revise 2009E-2011E EPS estimates by -13% to +31%. We now assume, over 2009E-2011E, average 6% higher power equipment output, higher average selling prices, an average 57bps cut in EBIT margin, and a significantly smaller working capital need in our DCF model due to lower sales volume growth. We also raise our 12-month DCF-based target price for Dongfang Electric A-share by 57% to Rmb36 (implying 26% potential downside) on earnings estimate changes as above and a higher A-share premium. Major upside risks include higher-than-expected sales volume and profit margin.

Upgrade to Neutral from Sell: - Harbin Power; - Shanghai Electric

We upgrade Harbin Power to Neutral from Sell. Since we added Harbin Power to the Sell List on March 30, 2009, its share price has risen by 47% while MSCI China has risen by 44%. We believe our call has not worked as well as expected because of the market perception in recent months of recovery in output growth. Over the past 12 months, the stock has risen 22% while MSCI China has risen 23%. We raise our 12-month DCF-based target price by 3% to HK\$6.8 but cut 2009E-2011E EPS estimates by 14%-23%. We now assume, over 2009E-2011E, an average 5% higher power equipment outputs, an average 87bps cut in EBIT margin, and a significantly smaller working capital need in our DCF model due to lower sales volume growth. Major upside/downside risks include higher/lower-than-expected sales volume and profit margin.

We upgrade Shanghai Electric to Neutral from Sell. Since we added Shanghai Electric to the Sell List on Dec 9, 2008, it has risen by 13% while the MSCI China Index has risen by 44%. Over the past 12 months, the stock has risen 54% while the MSCI China has risen 23%. We raise our 12-month DCF-based target price by 46% to HK\$3.5 and 2009E-2011E EPS estimates by 8%-39%. We now assume, over 2009E-2011E, an average 24% higher power equipment outputs, an average 41bps increase in EBIT margin, and 1% lower long-term maintenance capex as a percentage of fixed assets. Major upside/downside risks include higher/lower-than-expected sales volume and profit margin.

Exhibit 6: Major changes in our assumptions of thermal and wind outputs as well as EBIT margins, 2009E-2011E**Thermal outputs (MW)**

Company	2009E		Change (%)	2010E		Change (%)	2011E		Change (%)
	New	Old		New	Old		New	Old	
Dongfang Electric	72,780	61,658	18%	64,385	55,397	16%	54,321	52,249	4%
Harbin Power	24,682	18,595	33%	19,218	16,648	15%	15,564	17,385	(10%)
Shanghai Electric	82,092	57,979	42%	61,500	49,404	24%	51,245	52,924	(3%)

Wind outputs (MW)

Company	2009E		Change (%)	2010E		Change (%)	2011E		Change (%)
	New	Old		New	Old		New	Old	
Dongfang Electric	1,992	1,525	31%	3,606	1,935	86%	5,386	2,032	165%
Harbin Power	-	-	-	-	-	-	-	-	-
Shanghai Electric	424	395	7%	1,236	645	92%	1,978	677	192%

EBIT margin (%)

Company	2009E		Change (% point)	2010E		Change (% point)	2011E		Change (% point)
	New	Old		New	Old		New	Old	
Dongfang Electric	5.6%	4.4%	1.2%	6.7%	7.2%	(0.5%)	6.1%	6.3%	(0.1%)
Harbin Power	3.1%	4.1%	(1.0%)	3.5%	4.3%	(0.8%)	3.5%	4.2%	(0.8%)
Shanghai Electric	5.7%	4.6%	1.2%	5.7%	5.5%	0.2%	5.4%	5.5%	(0.1%)

Notes: 1) Thermal outputs include boilers, turbines, and turbine generators. 2) Harbin Power has no output in wind power equipment in our forecast.

Source: Gao Hua Securities Research estimates.

Exhibit 7: Harbin Power share price performance versus peer group

Prices as of the close on Sept. 28, 2009

Company	Ticker	Primary analyst	Price currency	Price as of 09/28/09	Price performance since 03/30/09	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Industrials Peer Group								
Harbin Power Equipment	1133.HK	Franklin Chow, CFA	HK\$	7.40	47%	(5%)	33%	22%
ACC	ACC.BO	Pritesh Vinay	Rs	817.15	45%	5%	45%	34%
Ambuja Cements	ABUU.BO	Pritesh Vinay	Rs	98.30	40%	12%	40%	16%
Asia Cement	1102.TW	Jim Hung	NT\$	35.00	22%	1%	20%	29%
Bharat Heavy Electricals	BHEL.BO	Ishan Sethi	Rs	2,245.60	52%	5%	51%	38%
China Communications Construction (H)	1800.HK	Tommy Wong	HK\$	8.38	(1%)	(10%)	(7%)	12%
China Railway Construction (A)	601186.SS	Tommy Wong	Rmb	8.60	(9%)	(15%)	(10%)	(8%)
China Railway Construction (H)	1186.HK	Tommy Wong	HK\$	10.42	3%	(12%)	0%	7%
China Railway Group (A)	601390.SS	Tommy Wong	Rmb	5.74	5%	(14%)	4%	(1%)
China Railway Group (H)	0390.HK	Tommy Wong	HK\$	6.70	50%	4%	39%	37%
Dongfang Electrical Corporation (A)	600875.SS	Franklin Chow, CFA	Rmb	48.50	32%	24%	35%	89%
Dongfang Electrical Corporation (H)	1072.HK	Franklin Chow, CFA	HK\$	42.00	156%	44%	146%	93%
Doosan Heavy Industries & Construction	034020.KS	Paul Hwang	W	68,700.00	3%	5%	(2%)	(26%)
Doosan Infracore	042670.KS	Paul Hwang	W	18,300.00	28%	26%	25%	(9%)
Everest Kanto Cylinder	EKCL.BO	Ishan Sethi	Rs	203.05	75%	(3%)	80%	(25%)
GMR Infrastructure	GMRI.BO	Ishan Sethi	Rs	138.95	48%	3%	42%	55%
Grasim Industries	GRAS.BO	Pritesh Vinay	Rs	2,834.25	85%	21%	83%	52%
Guangxi Liugong	000528.SZ	Tommy Wong	Rmb	16.23	29%	(4%)	27%	20%
GVK Power and Infrastructure	GVKP.BO	Ishan Sethi	Rs	45.65	111%	11%	113%	55%
Hyunjin Materials	053660.KQ	Paul Hwang	W	24,600.00	(23%)	(30%)	(28%)	(29%)
India Cement	ICMN.BO	Pritesh Vinay	Rs	134.00	28%	(5%)	30%	(2%)
IRB Infrastructure Developers	IRBI.BO	Ishan Sethi	Rs	211.95	164%	40%	168%	82%
IVRCL Infrastructure and Projects	IVRC.BO	Ishan Sethi	Rs	382.70	219%	11%	210%	51%
Jaiprakash Associates	JAIA.BO	Ishan Sethi	Rs	237.35	202%	9%	181%	92%
Larsen & Toubro	LART.BO	Ishan Sethi	Rs	1,645.90	153%	8%	164%	28%
Lonking Holdings	3339.HK	Tommy Wong	HK\$	4.45	99%	14%	73%	47%
Punjab Lloyed	PUJL.BO	Ishan Sethi	Rs	259.25	204%	24%	218%	(15%)
Sany Heavy	600031.SS	Tommy Wong	Rmb	32.82	41%	11%	38%	102%
Shanghai Electric Group	2727.HK	Franklin Chow, CFA	HK\$	3.66	64%	5%	53%	54%
Sintex Industries	SINTX.BO	Ishan Sethi	Rs	248.25	163%	20%	168%	(14%)
Taewoong	044490.KQ	Paul Hwang	W	82,700.00	(1%)	(17%)	(3%)	1%
Taiwan Cement	1101.TW	Jim Hung	NT\$	35.20	28%	9%	22%	76%
Ultratech Cement	ULTC.BO	Pritesh Vinay	Rs	750.80	41%	6%	46%	36%
MSCI China				59	44%	5%	36%	23%

Note: Prices as of most recent available close, which could vary from the price date indicated above.

This table shows movement in absolute share price and not total shareholder return. Results presented should not and cannot be viewed as an indicator of future performance.

Source: Factset, Quantum database, Gao Hua Securities Research.

Exhibit 8: Shanghai Electric Group share price performance versus peer group

Prices as of the close on Sept. 28, 2009

Company	Ticker	Primary analyst	Price currency	Price as of 09/28/09	Price performance since 12/09/08	3 month price performance	6 month price performance	12 month price performance
Asia Pacific Industrials Peer Group								
Shanghai Electric Group	2727.HK	Franklin Chow, CFA	HK\$	3.66	13%	5%	53%	54%
ACC	ACC.BO	Pritesh Vinay	Rs	817.15	89%	5%	45%	34%
Ambuja Cements	ABUJ.BO	Pritesh Vinay	Rs	98.30	69%	12%	40%	16%
Asia Cement	1102.TW	Jim Hung	NT\$	35.00	37%	1%	20%	29%
Bharat Heavy Electricals	BHEL.BO	Ishan Sethi	Rs	2,245.60	65%	5%	51%	38%
China Communications Construction (H)	1800.HK	Tommy Wong	HK\$	8.38	(10%)	(10%)	(7%)	12%
China Railway Construction (A)	601186.SS	Tommy Wong	Rmb	8.60	(16%)	(15%)	(10%)	(8%)
China Railway Construction (H)	1186.HK	Tommy Wong	HK\$	10.42	(8%)	(12%)	0%	7%
China Railway Group (A)	601390.SS	Tommy Wong	Rmb	5.74	(5%)	(14%)	4%	(1%)
China Railway Group (H)	0390.HK	Tommy Wong	HK\$	6.70	28%	4%	39%	37%
Dongfang Electrical Corporation (A)	600875.SS	Franklin Chow, CFA	Rmb	48.50	88%	24%	35%	89%
Dongfang Electrical Corporation (H)	1072.HK	Franklin Chow, CFA	HK\$	42.00	131%	44%	146%	93%
Doosan Heavy Industries & Construction	034020.KS	Paul Hwang	W	68,700.00	9%	5%	(2%)	(26%)
Doosan Infracore	042670.KS	Paul Hwang	W	18,300.00	17%	26%	25%	(9%)
Everest Kanto Cylinder	EKCL.BO	Ishan Sethi	Rs	203.05	28%	(3%)	80%	(25%)
GMR Infrastructure	GMRI.BO	Ishan Sethi	Rs	138.95	130%	3%	42%	55%
Grasim Industries	GRAS.BO	Pritesh Vinay	Rs	2,834.25	193%	21%	83%	52%
Guangxi Liugong	000528.SZ	Tommy Wong	Rmb	16.23	62%	(4%)	27%	20%
GVK Power and Infrastructure	GVKP.BO	Ishan Sethi	Rs	45.65	147%	11%	113%	55%
Harbin Power Equipment	1133.HK	Franklin Chow, CFA	HK\$	7.40	37%	(5%)	33%	22%
Hyunjin Materials	053660.KQ	Paul Hwang	W	24,600.00	25%	(30%)	(28%)	(29%)
India Cement	ICMN.BO	Pritesh Vinay	Rs	134.00	57%	(5%)	30%	(2%)
IRB Infrastructure Developers	IRBI.BO	Ishan Sethi	Rs	211.95	148%	40%	168%	82%
IVRCL Infrastructure and Projects	IVRC.BO	Ishan Sethi	Rs	382.70	183%	11%	210%	51%
Jaiprakash Associates	JAIA.BO	Ishan Sethi	Rs	237.35	246%	9%	181%	92%
Larsen & Toubro	LART.BO	Ishan Sethi	Rs	1,645.90	122%	8%	164%	28%
Lonking Holdings	3339.HK	Tommy Wong	HK\$	4.45	156%	14%	73%	47%
Punj Lloyd	PUJL.BO	Ishan Sethi	Rs	259.25	74%	24%	218%	(15%)
Sany Heavy	600031.SS	Tommy Wong	Rmb	32.82	85%	11%	38%	102%
Sintex Industries	SNTX.BO	Ishan Sethi	Rs	248.25	54%	20%	168%	(14%)
Taewoong	044490.KQ	Paul Hwang	W	82,700.00	11%	(17%)	(3%)	1%
Taiwan Cement	1101.TW	Jim Hung	NT\$	35.20	43%	9%	22%	76%
Ultratech Cement	ULTC.BO	Pritesh Vinay	Rs	750.60	151%	6%	46%	36%
MSCI China				59	44%	5%	36%	23%

Source: Factset, Quantum database, Gao Hua Securities Research.

Modest EPS impact from announced private placements

Details remain uncertain for the announced private placements of Dongfang Electric and Shanghai Electric in terms of placement values, share counts and timing. On 23 September 2009, Dongfang received conditional approval from the CSRC for its A-share placement. The Shanghai Electric placement is still pending CSRC approval. We have not incorporated these placements into our forecast but see modest impact on our 2010E-2011E EPS estimates, assuming that they become effective October 1, 2009 (Exhibit 9).

Exhibit 9: 2009E-2011E EPS sensitivity analysis of announced private placements

Company	Announcement date	Planned issuance date	Issue shares to?	Planned issuance price	Closing price as of the day before announcement	Number of shares (mn)	Growth in shares (%)	Total capital to be raised	EPS sensitivity assuming equity issuance and lower debt		
									2009E EPS	2010E EPS	2011E EPS
Dongfang Electric (H)	Tentative announcement by management on 9-Apr-09; detailed announcement on 24-Apr-09	N/A, but within 6 months of CSRC approval	No more than 10 institutional investors (including parent)	No lower than Rmb35.09 per A-share	HK\$17.5	Not more than 145mn A-shares	16%	Not more than Rmb5,000mn	8%	7%	8%
Dongfang Electric (A)					Rmb35.1				8%	7%	8%
Shanghai Electric	Trading suspended on 20-Apr-09 pending announcement on "potential issue of new securities"; detailed announcement on 29-Apr-09	N/A, but within 6 months of CSRC approval	A limited number of CSRC-approved private and professional institutional investors	No lower than Rmb7.15 per A-share	HK\$3.06 for H-share/ Rmb9.27 for A-share	Not more than 700mn A-shares	6%	Not more than Rmb5,000mn	2%	1%	1%

Note: We assume the announced minimum price and maximum shares as well as a lower debt as a result of the equity issuance in this sensitivity analysis.

Source: Company data, Datastream, Gao Hua Securities Research estimates.

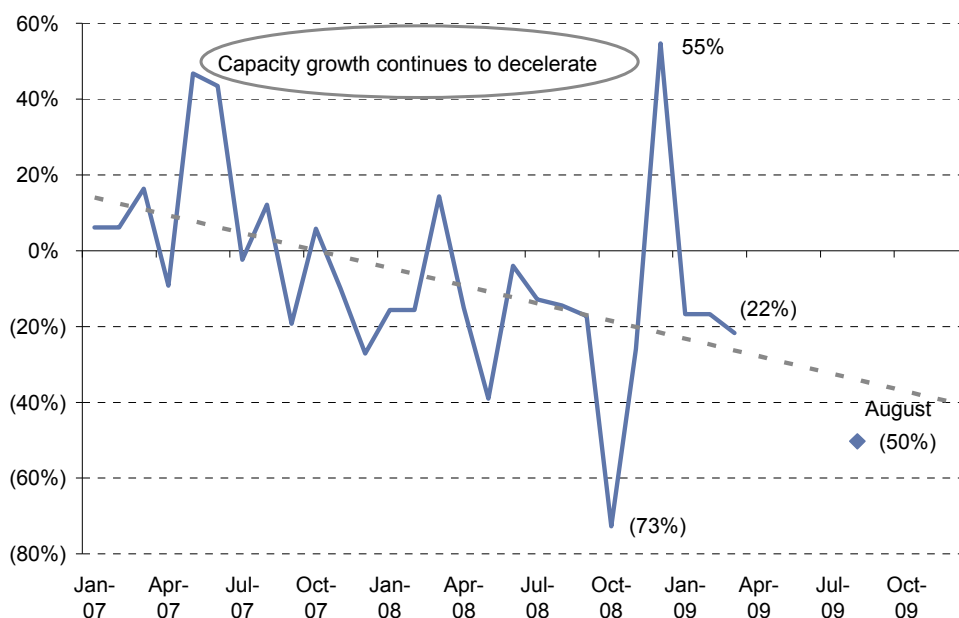
Underutilized capacity may keep capacity growth in check

We think even strong wind capacity growth is unlikely to offset slowing coal-fired capacity growth. Although we expect utilization to rise from the 2009 trough, modest improvement may still not drive just total power capacity growth to the previous growth peak (21% yoy in 2006). Exhibit 10 shows that the trend of slowing power capacity growth has continued for about two years now. We expect: 1) **national average utilization** to grow by 3% and 3% yoy in 2010E and 2011E; 2) **national capacity** to grow by 6% and 7% yoy in 2010E and 2011E; and 3) **power generation** to grow by 10% and 10% yoy in 2010E and 2011E.

Exhibit 10: Power generation capacity growth has been quickly decelerating

YoY changes (%) in monthly capacity expansion, January 2007 – August 2009

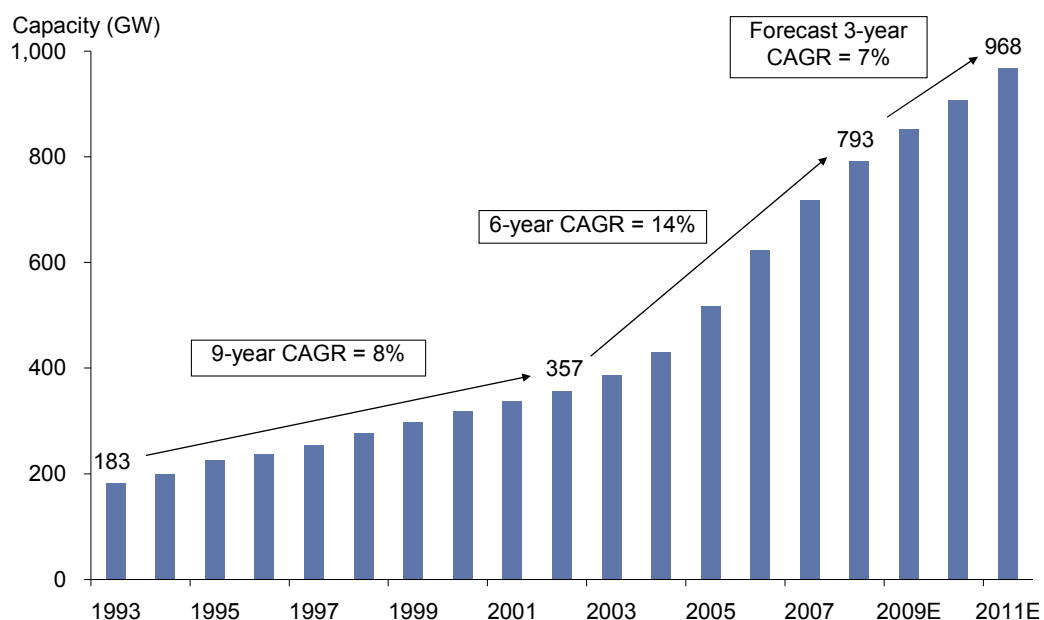
YoY change in monthly capacity expansion (%)



Note: Data was not released for the months of April, May, and June.

Source: China Electricity Council, Gao Hua Securities Research.

We expect wind capacity to make up 4% of total generation capacity by 2011, up from almost 0% in 2006. After doubling for three years in a row (2006-2008), we think growth rate could slow into 2011 (i.e. 2008-2011E CAGR of 70%). However, the fast growth has not been without complications. Insufficient power grid connections and quality problems of turbines have resulted in 30% of wind turbines not supplying power to the power grids in 2008, up from 20% in 2006 (Exhibit 12). Nonetheless, we do expect the “non-connection” ratio to fall to 17% in 2011 due to: 1) more favorable government policy on tariffs (and, therefore, profitability for wind farms), 2) government’s focus in upgrading power grid connections, and 3) government’s policy to deter excessive growth of new wind capacity.

Exhibit 11: Slowing power capacity growth (Installed capacity in China, 1993-2011E, GW)

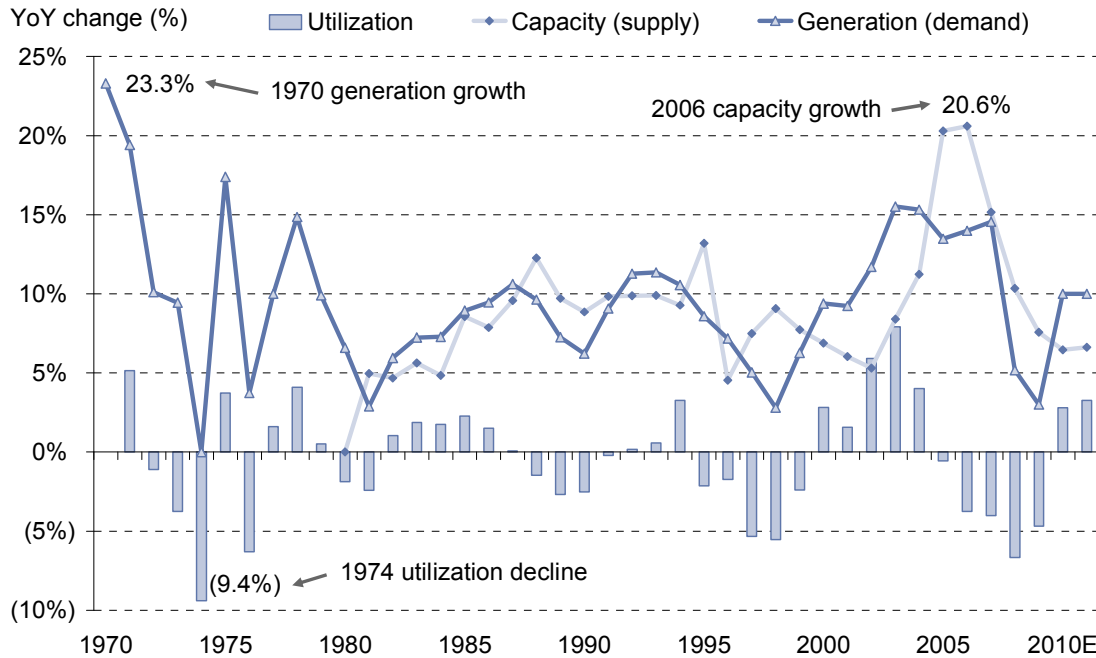
Source: China Electric Power Yearbook, China Electricity Council, and Gao Hua Securities Research estimates.

Exhibit 12: 2006-2011E China power capacity yoy change (MW, %) and by fuel types (%)

	2006	2007	2008	2009E	2010E	2011E
National power capacity (MW)						
Thermal	483,822	556,074	602,858	639,633	672,894	703,174
Hydro	130,292	148,232	172,604	187,275	197,575	207,652
Wind	2,073	4,199	8,388	14,424	24,727	41,047
Nuclear	6,850	8,846	8,846	9,846	10,846	13,846
Others	661	865	35	1,553	1,689	2,013
Total	623,698	718,217	792,731	852,731	907,731	967,731
yoy change (MW)	106,513	94,518	74,515	60,000	55,000	60,000
Capacity yoy change (%)						
Thermal	23.6%	14.9%	8.4%	6.1%	5.2%	4.5%
Hydro	11.0%	13.8%	16.4%	8.5%	5.5%	5.1%
Wind	95.8%	102.6%	99.8%	72.0%	71.4%	66.0%
Nuclear	0.1%	29.1%	0.0%	11.3%	10.2%	27.7%
Others	19.1%	30.8%	N.A.	N.A.	8.8%	19.2%
Total	20.6%	15.2%	10.4%	7.6%	6.4%	6.6%
Capacity breakdown (%)						
Thermal	78%	77%	76%	75%	74%	73%
Hydro	21%	21%	22%	22%	22%	21%
Wind	0%	1%	1%	2%	3%	4%
Nuclear	1%	1%	1%	1%	1%	1%
Others	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%
Small coal-fired plant closures	3,140	14,380	16,690	21,860	15,000	15,000
Gross wind capacity	2,588	5,875	12,121	20,606	32,969	49,454
yoy change (%)	105%	127%	106%	70%	60%	50%
Non-connected wind equipment	516	1,676	3,733	6,182	8,242	8,407
% of non-connected wind turbines	20%	29%	31%	30%	25%	17%
Nuclear capacity addition	4	1,996	-	1,000	1,000	3,000

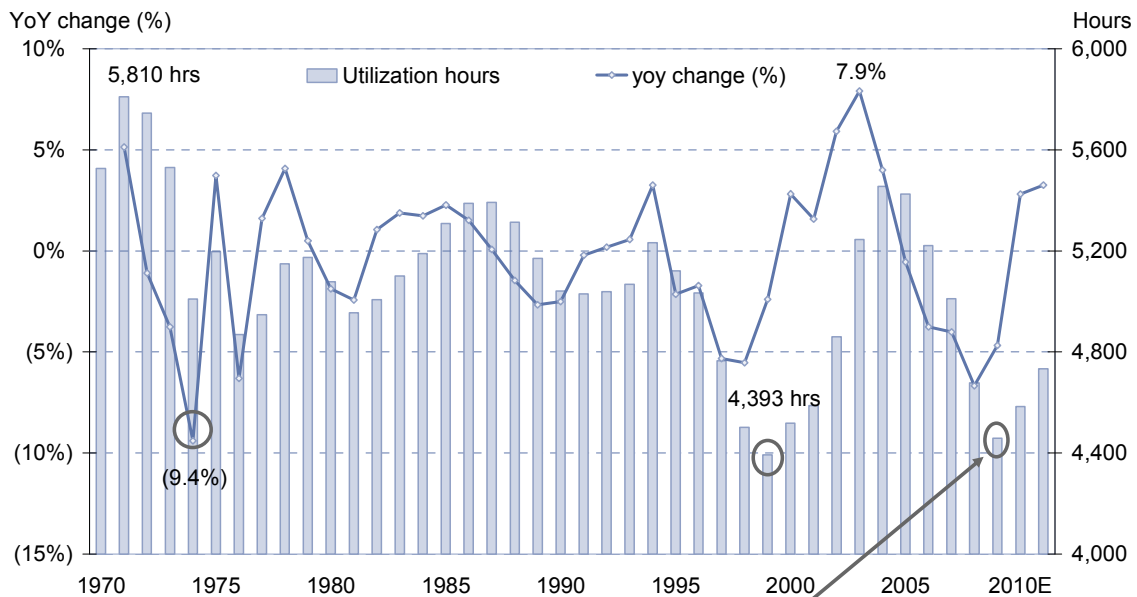
Source: China Electric Power Yearbook, China Electricity Council, and Gao Hua Securities Research estimates.

Exhibit 13: We expect power generation to grow by 10% yoy in 2010E and 2011E
 1970-2011E yoy change in utilization, power generation capacity, and power generation in China



Source: China Power Industry Statistical Yearbook, China Electricity Council, CEIC, Gao Hua Securities Research estimates.

Exhibit 14: We forecast utilization to begin recovering from its 2009E trough
 1970-2011E utilization levels (hours) and yoy change in utilization (%)



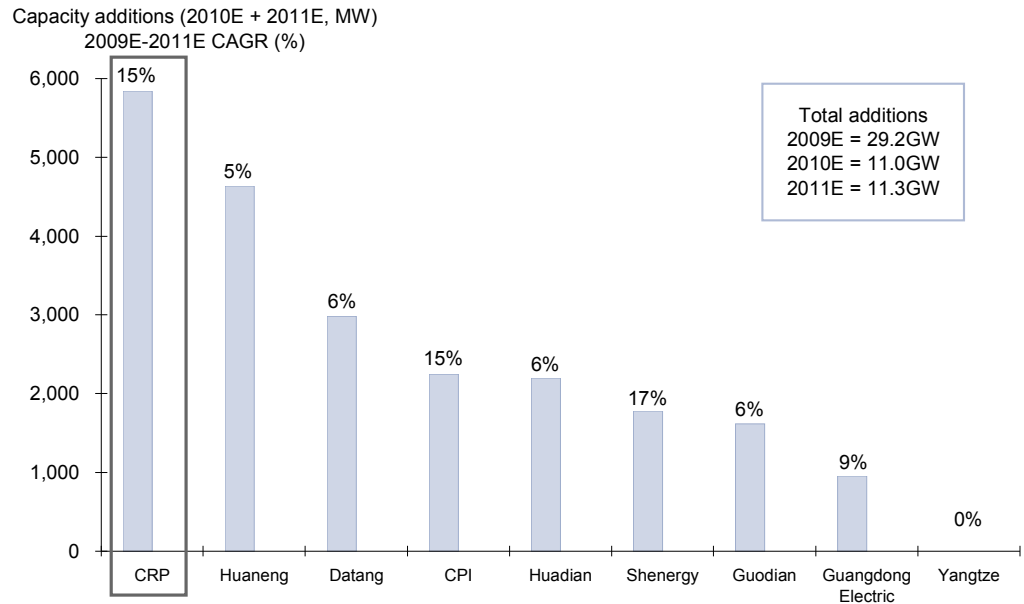
We forecast **2009E utilization to be a trough, down 5% to 4,458 hours (or 51% utilization)**. Previous trough was 4,393 hours in 1999. The largest decline was a 9.4% yoy drop during 1974.

Source: China Power Industry Statistical Yearbook, China Electricity Council, CEIC, Gao Hua Securities Research estimates.

We are less bullish than China IPPs' guidance on their power capacity growth. For IPPs that have already tapped heavily into debt and equity markets, additional funding channels for many highly-g geared IPPs may not be easy to find. We believe the government approval process for new power plants will continue to be a lengthy process. We, therefore, believe the eventual capacity growth by some IPPs may be substantially below their current targets (Exhibit 15). We think slower-than-expected capacity growth for IPPs means smaller-than-expected volumes sales for the three equipment makers.

Exhibit 15: 2010E and 2011E capacity addition of IPPs under coverage

Total attributable capacity additions in 2010E and 2011E (GW) and 2009E-2011E CAGR (%)



Note: Our forecast is substantially below company guidance in some cases as we believe it will be very difficult to meet the guidance due to financing constraints and lengthy government approval procedures. For example, Huaneng, Datang, and CPI announced that they plan to expand capacity by 15GW (19%), 5GW (12%), and 6GW (29%), respectively, over the period 2008-2010E. Huadian expects to add 17GW from now to 2013 (74% growth).

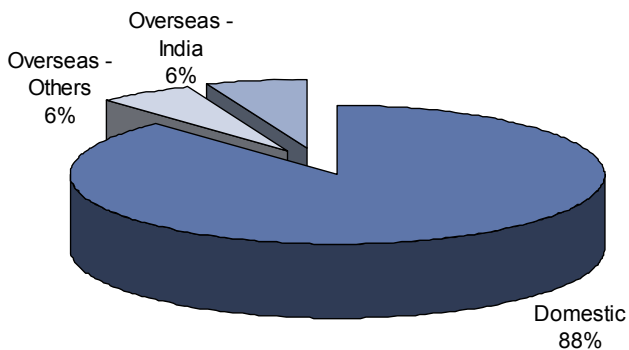
Source: Company data, Gao Hua Securities Research.

Rising overseas market sales may help mitigate slowing domestic sales growth, but we see them contributing lower margins. Engineering, procurement, and construction (EPC) contracts are widely known by the market to earn generally much lower profit margins (low single digits) than the simpler domestic equipment sales. We are also concerned about the more complicated billing problems and warranty expenses for overseas sales. Nonetheless, we do think that building a successful track record of overseas sales can be of long-term value for the equipment makers. We believe Shanghai Electric has the highest proportion of order book and future revenue from overseas (e.g. the JV with Siemens) (Exhibit 16).

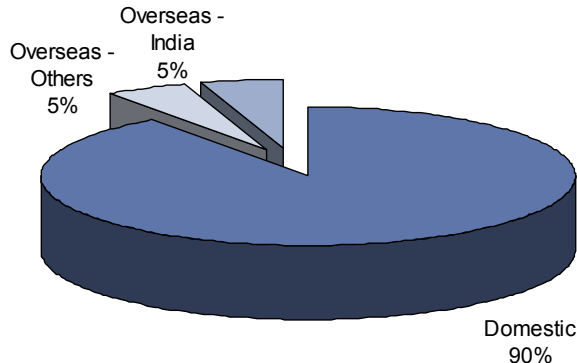
Exhibit 16: Among the three equipment makers, Shanghai Electric may continue to see the largest overseas business
 Year-end order book and revenue by geographical region for equipment makers under our coverage, 2008

Dongfang Electric

2008 year-end order book = Rmb 120bn

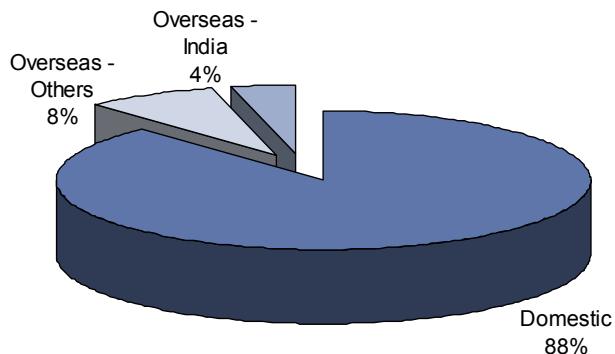


2008 revenue = Rmb 27bn

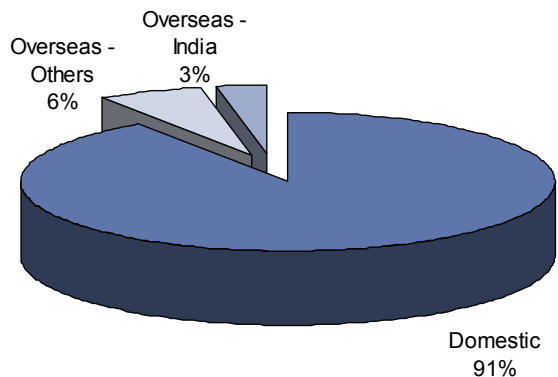


Harbin Power

2008 year-end order book = Rmb 92bn

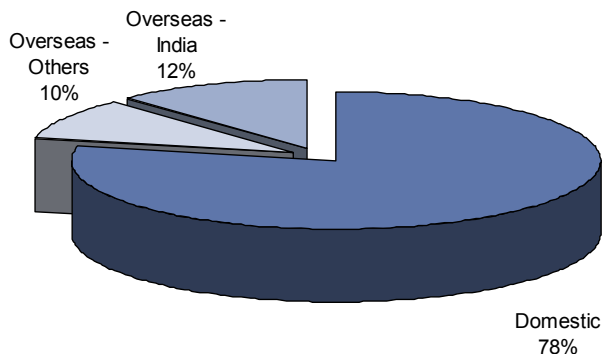


2008 revenue = Rmb 30bn

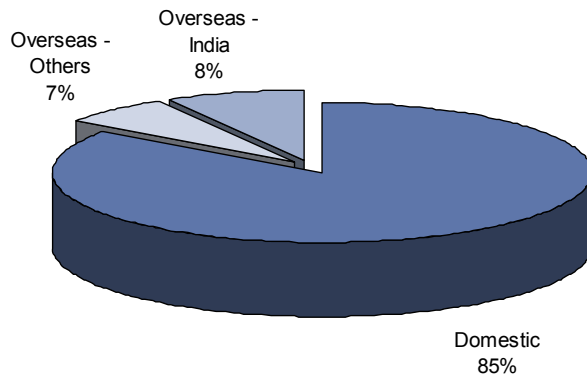


Shanghai Electric

2008 year-end order book = Rmb 180bn



2008 revenue = Rmb 59bn



Source: Company data, Gao Hua Securities Research.

We think slowing new orders might be better indicators of future volume growth than order book size. Exhibit 17 shows that new orders obtained in 1H09 by Dongfang Electric and Shanghai Electric were 24% and 45% smaller vs. 1H08 values, mostly due to considerably fewer new orders for core thermal equipment. Yet, growth for wind and nuclear power equipment continues. In terms of fuel mix of new orders gained during 1H09, Dongfang Electric's appears to be the most diversified.

Exhibit 17: Slowing growth in new orders but growing diversification in fuel mix

Order book reviews for the equipment makers (Rmb bn), 2006-1H09

(in Rmb bn) Company	Order book					New orders				
	2006	2007	2008	1H08	1H09	2006	2007	2008	1H08	1H09
Dongfang Electric	N/A	74	120	114	130	N/A	58	70	45	34
Harbin Power	65	85	92	N/A	N/A	29	51	57	N/A	N/A
Shanghai Electric	80	122	161	164	175	37	77	76	60	33

	2008 new orders (in Rmb bn)			% of total new order		
	Dongfang Electric	Harbin Power	Shanghai Electric	Dongfang Electric	Harbin Power	Shanghai Electric
By order-type						
Thermal	32	32	46	45%	55%	61%
Nuclear	16	2	3	24%	4%	4%
Wind	10	0	1	15%	0%	1%
Hydro	6	8	0	8%	14%	0%
Gas turbines	6	N/A	N/A	8%	N/A	N/A
Engineering service and EPC	N/A	11	22	N/A	18%	29%
Others	0	5	4	1%	8%	6%
Total	70	57	76	100%	100%	100%
By region						
Domestic	61	51	56	87%	89%	74%
Overseas	9	7	20	13%	12%	26%
Total	70	57	76	100%	100%	100%

	2009 1H new orders (in Rmb bn)			% of total new order		
	Dongfang Electric	Harbin Power	Shanghai Electric	Dongfang Electric	Harbin Power	Shanghai Electric
By order-type						
Thermal	11	N/A	12	31%	N/A	37%
Nuclear	10	N/A	2	30%	N/A	5%
Wind	11	N/A	2	31%	N/A	5%
Hydro	3	N/A	0	8%	N/A	0%
Gas turbines	N/A	N/A	2	N/A	N/A	7%
Engineering service and EPC	N/A	N/A	13	N/A	N/A	40%
Others	0	N/A	2	0%	N/A	6%
Total	34	N/A	33	100%	N/A	100%

Notes: N/A means there was no disclosure from company on such data. Orders for Shanghai Electric refer to its power equipment business only.

Source: Company data, Gao Hua Securities Research.

High valuation driven by lofty hopes on wind equipment growth

Exhibit 18: Dongfang Electric is our top Sell among equipment makers under coverage

Financial summary of power equipment

Company	Ticker	Stock rating	Market cap (US\$bn)	Price 28-Sep-2009	12-m target price	Avg. daily trading vol. (3-m, US\$mn)	EPS (reporting currency)		EPS yoy change (%)		P/E (X)		Div. yield (%) 2010E
							2009E	2010E	2009E	2010E	2009E	2010E	
Dongfang Electric (H)	1072.HK	Sell*	4.8	HK\$ 42.00	30.0	9	1.81	1.83	210	1	20	20	2.0
Dongfang Electric (A)	600875.SS	Sell	6.3	Rmb 48.50	36.0	56	1.81	1.83	210	1	27	26	1.5
Harbin Power	1133.HK	Neutral	1.3	HK\$ 7.40	6.8	8	0.50	0.51	(33)	1	13	13	0.9
Shanghai Electric	2727.HK	Neutral	5.9	HK\$ 3.66	3.5	16	0.23	0.22	10	(6)	14	15	2.1
Average - H-shares						16			10	(6)	14	15	2.1

Company	P/B (X) 2010E	P/cash earnings (X) 2010E	FCF yield (%) 2010E	Net debt / equity (%) 2010E	EV / EBITDA (X) 2010E	Net margin (%) 2010E	ROE (%) 2010E	Share price performance (%)										
								Absolute		Relative								
								1-m	3-m	1-m	3-m							
Dongfang Electric (H)	8.2	17	3.8	(179)	10	5	46	8	44	6	37							
Dongfang Electric (A)	10.8	20	2.9	(179)	14	5	46	15	24	18	30							
Harbin Power	1.0	9	32.8	(66)	1	3	8	(7)	(5)	(8)	(9)							
Shanghai Electric	1.7	12	8.4	(40)	6	5	12	(1)	5	(2)	(0)							
Average - H-shares								1.7	12	8.4	(40)	6	5	12	(1)	5	(2)	(0)

Notes: 1) * This stock is on our Conviction List. 2) For dual-listed stocks, the financials are based on the financial reporting for H-shares.

3) Market cap is calculated based on the trading price of the share type (H-shares or A-shares) we cover times the total number of shares outstanding. 4) Cash earnings = net income + depreciation + amortization.

5) Free cash flow yield = (NOPLAT + depreciation - capex + change in working capital + change in other assets + net interest expense after tax) / (market cap + minority interest).

6) Net debt / equity: we include minority interest in the calculation of equity in our forecast and the valuation table above; however, the firmwide database does not in certain cases.

7) Benchmarks for H-shares, A-shares and Hong Kong shares are MSCI-China Index, China Shanghai-Shenzhen 300 Index and Hong Kong Hang Seng Index, respectively.

8) Relative share price performance is calculated as: [(price of stock on the printed day/price of stock on base day) / (price of index on the printed day/price of index on base day) - 1] x 100%.

9) EPS estimates are computed without non-recurring items and using basic weighted average shares outstanding.

10) For important disclosures, please go to <http://www.gs.com/research/hedge.html>.

Source: Company data, Datastream, and Gao Hua Securities Research estimates.

Against the GS Global ECS Research estimates on MSCI China and CSI 300 benchmarks, we see downside potential to valuation for the power equipment sector.

Exhibit 19: Current sector valuation seems unwarranted vs. market benchmarks

2010E and target equipment valuation against benchmark valuation by GS Global ECS Research

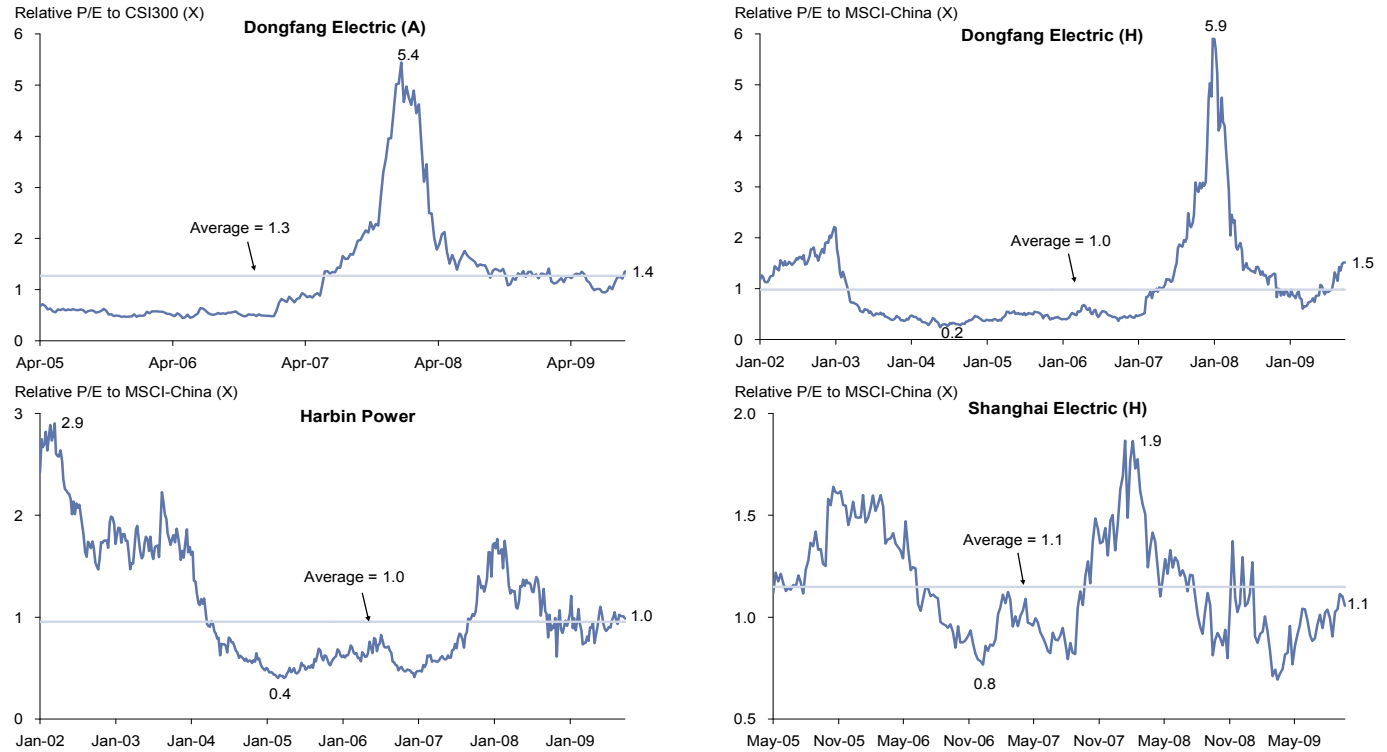
	MSCI China	Equipment HK shares
Target implied 2010E P/E	17.4X	13.4X
2010E P/E	12.2X	15.9X
2010E P/B	2.0X	3.6X
2010E EPS growth	25.0%	-1.3%
2010E ROE	16.8%	21.9%

	CSI300	Dongfang Electric A share
Target implied 2010E P/E	25.3X	19.4X
2010E P/E	17.5X	26.5X
2010E P/B	2.5X	10.8X
2010E EPS growth	26.5%	1.3%
2010E ROE	15.5%	46.2%

Source: GS Global ECS Research estimates, Gao Hua Securities Research estimates.

Exhibit 20: Dongfang Electric is trading above its average historical P/E relative to the market

Relative 1-year forward P/E to MSCI China, 2002 (or IPO date, if later) to 2009E, or to CSI300, April 2005 to 2009E



Source: Datastream, Gao Hua Securities Research estimates.

Exhibit 21: Dongfang Electric is trading above its recent historical average on P/B

1-year forward P/Bs of power equipment producers, 2002 (or IPO date, if later) to 2009E

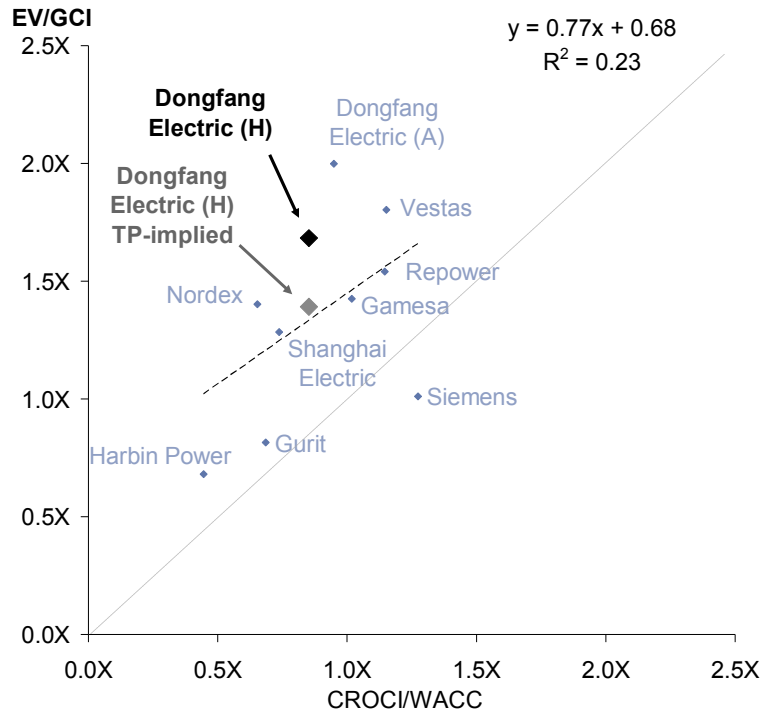


Source: Datastream, Gao Hua Securities Research estimates.

Dongfang Electric looks expensive vs. global peers across several valuation multiples.

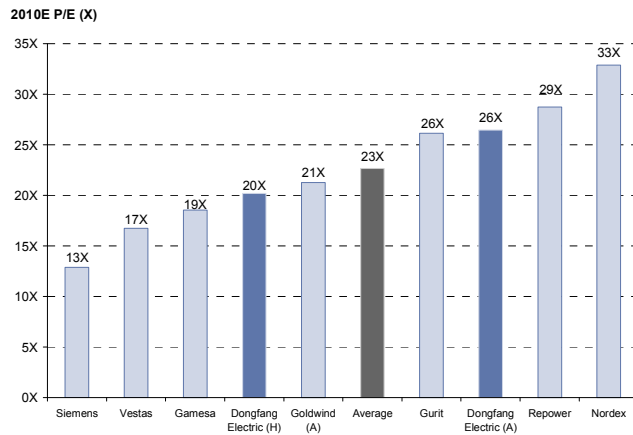
Although we expect Dongfang’s wind output to rise to 27% of its total 2010E revenue (up from 10% in 2008), its P/E and EV/EBITDA multiples are already trading at or above global peers in more pure-play wind power equipment (e.g. Gamesa, Goldwind, Gurit, Repower, Nordex, Siemens, and Vestas) (Exhibits 22-24). We think core thermal revenue (59% of total 2010E revenue) deserves a lower valuation given its lower growth prospect.

Exhibit 22: Dongfang trades at an unjustified premium on CROCI-based valuation
 2010E EV/GCI vs. CROCI/WACC, global wind equipment makers



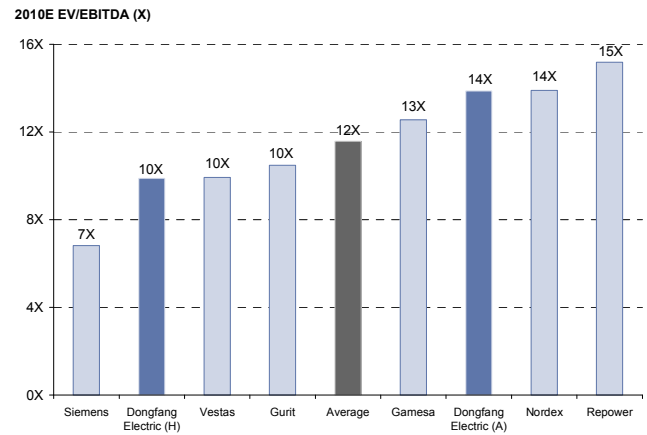
Source: Datastream, Goldman Sachs Research estimates, and Gao Hua Securities Research estimates.

Exhibit 23: P/E of Dongfang (H) is close to peer average
2010E P/E of global wind power equipment makers



Notes: Goldwind P/E is based on Reuters consensus estimates.

Exhibit 24: Dongfang's EV/EBITDA is near peer average
2010E EV/EBITDA of global wind equipment makers

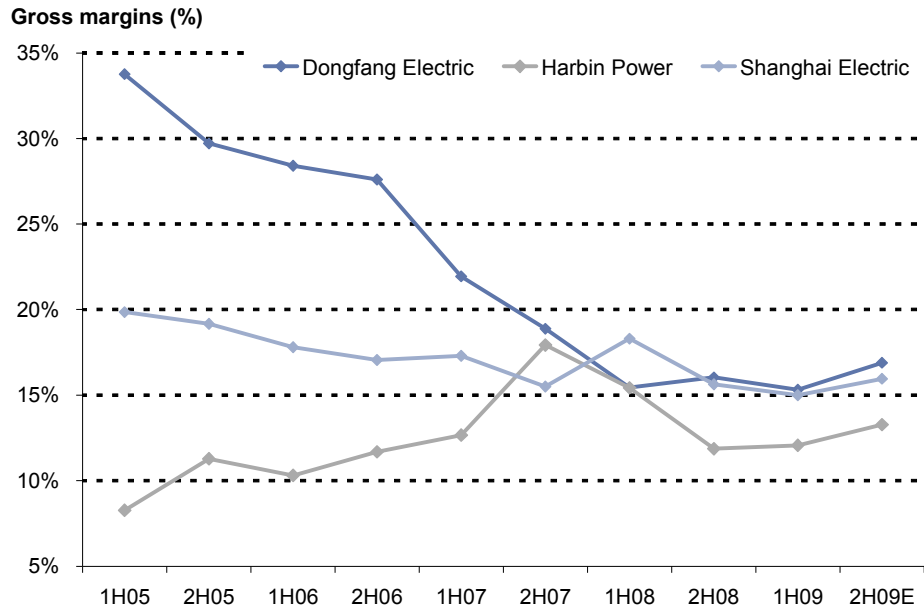


Source: Datastream, Goldman Sachs Research estimates, Gao Hua Securities Research estimates.

We think significant recovery to industry gross margin remains difficult. Though we assume 2H09 gross margin to improve for these equipment makers, we are still concerned about the longer-term trend as: 1) lower-margin products (e.g. wind, nuclear, EPC) rise in revenue proportion; and 2) weaker demand growth from core product (coal-fired power equipment) may make it more difficult to pass through inflation in production costs. Since 2005, gross margins for the Dongfang Electric and Shanghai Electric have been falling while Harbin Power has exhibited a relatively better trend (Exhibit 25). Dongfang Electric's 1H09 gross margin for wind equipment rose to 14.2% from 11.5% in 2008, but it is still below thermal equipment's 1H09 gross margin of 17.5%.

We are less optimistic than company guidance and market expectation in terms of wind equipment gross margin. Dongfang Electric and Shanghai Electric have guided gross margin of 17% or more for wind equipment. That implies the wind equipment margin will rise further from 1H09's 14.2% in the near term. Yet, we think this is difficult in the intensely competitive domestic wind turbine market in China. For example, gross margin of Goldwind (the largest listed pure-play wind equipment maker in China) has been declining since 2006 (Exhibit 26). Also, Gao Hua and Goldman Sachs see a flat gross margin trend for the global wind equipment makers.

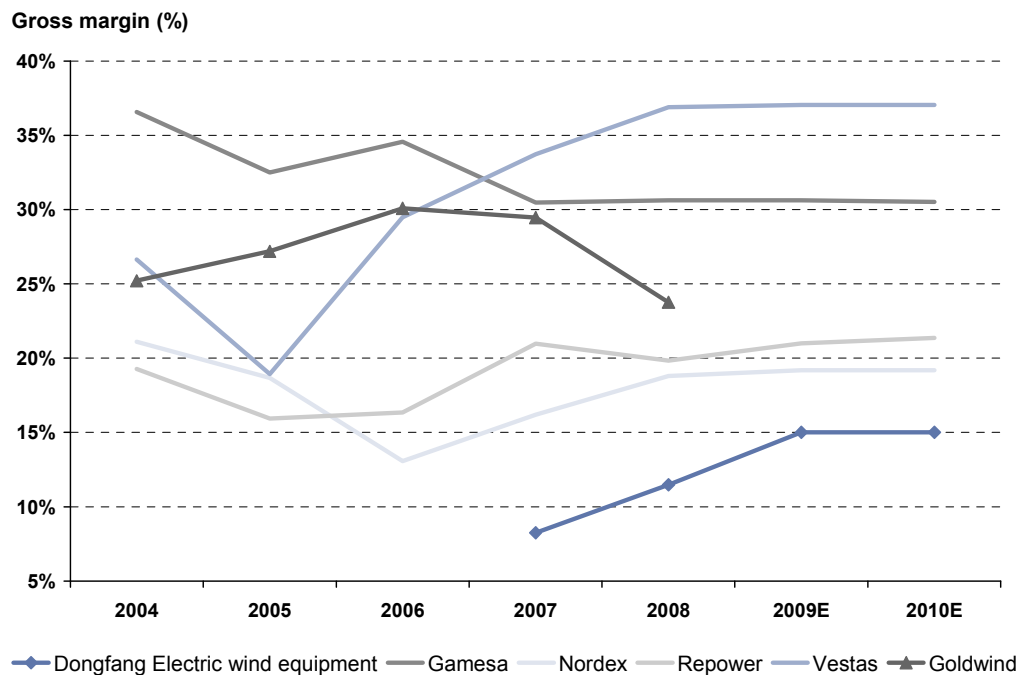
Exhibit 25: Gross margin has been declining for Dongfang Electric and Shanghai Electric
 Semi-annual gross margins for the three equipment makers, 1H05 – 2H09E



Note: Dongfang Electric margins fell to more normalized levels post the injection of the lower-margin boiler and turbine business from its parent in 2007.

Source: Company data, Gao Hua Securities Research.

Exhibit 26: Gao Hua and Goldman Sachs expects flat gross margins for wind equipment
 2004-2010E gross margins of Dongfang Electric (wind only) and global wind equipment makers



Source: Company data, Goldman Sachs Research estimates, Gao Hua Securities Research estimates.

Exhibit 27: Scenario analysis shows high operating leverage to power capacity demand and gross margin assumptions
Earnings sensitivity to 2010E EPS (Rmb), ROE, P/E and P/B for H-share equipment makers under our coverage

Base case (our published estimates)						
2010E	EPS	ROE	P/E	P/B	Gross margin	National capacity growth
Dongfang Electric	1.83	46%	20	8.2	18%	55GW
Harbin Power	0.51	8%	13	1.0	15%	
Shanghai Electric	0.22	12%	15	1.7	17%	
Bull case						
2010E	EPS	ROE	P/E	P/B	Gross margin	National capacity growth
Dongfang Electric	2.86	67%	13	7.2	200 bps higher	65GW
Harbin Power	0.86	13%	8	0.9		
Shanghai Electric	0.31	17%	10	1.6		
Bear case						
2010E	EPS	ROE	P/E	P/B	Gross margin	National capacity growth
Dongfang Electric	1.03	28%	36	9.2	200 bps lower	45GW
Harbin Power	0.25	4%	26	1.0		
Shanghai Electric	0.15	8%	22	1.7		

Source: Gao Hua Securities Research estimates.

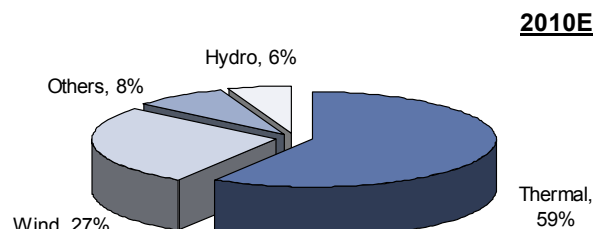
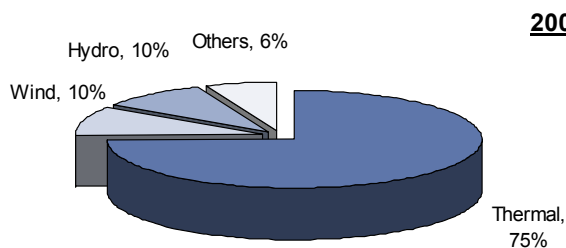
Company summary financials

Exhibit 28: Dongfang Electric summary financials and revenue fuel mix

In Rmb mn, except for per share data and ratios; 2008 and 2010E revenue by fuel type (%)

Profit model (Rmb mn)	12/08	12/09E	12/10E	12/11E	Balance sheet (Rmb mn)	12/08	12/09E	12/10E	12/11E
Total revenue	27,171.3	31,335.9	30,415.1	32,016.1	Cash & equivalents	11,311.9	12,235.7	13,147.9	13,041.0
Cost of goods sold	(22,453.4)	(25,847.3)	(24,837.9)	(26,285.8)	Accounts receivable	13,253.9	14,594.8	14,165.9	14,911.6
SG&A	(3,186.2)	(3,290.3)	(3,041.5)	(3,201.6)	Inventory	19,870.7	21,244.4	20,414.8	21,604.8
R&D	--	--	--	--	Other current assets	7,156.7	7,156.7	7,156.7	7,156.7
Other operating profit/(expense)	0.0	0.0	0.0	0.0	Total current assets	51,593.1	55,231.5	54,885.2	56,714.0
EBITDA	1,531.7	2,198.4	2,535.6	2,528.7	Net PP&E	3,582.8	3,916.5	4,292.7	4,716.7
Depreciation & amortization	(430.5)	(448.7)	(502.3)	(562.7)	Net intangibles	111.7	84.8	58.0	31.1
EBIT	1,101.2	1,749.7	2,033.4	1,966.1	Total investments	353.4	379.5	405.6	431.6
Interest income	147.3	113.1	122.4	131.5	Other long-term assets	1,122.4	1,122.4	1,122.4	1,122.4
Interest expense	(279.5)	(274.9)	(513.8)	(513.8)	Total assets	56,763.3	60,734.7	60,763.8	63,015.8
Income/(loss) from uncons. subs.	(16.2)	7.9	7.9	7.9	Accounts payable	27,245.9	24,785.1	23,817.2	25,205.6
Others	(561.1)	348.1	318.1	318.1	Short-term loans	551.2	551.2	551.2	551.2
Pretax profits	391.8	1,944.0	1,968.0	1,909.8	Other current liabilities	22,198.9	22,654.6	22,663.3	22,611.7
Income tax	122.7	(306.9)	(310.7)	(376.8)	Total current liabilities	49,996.0	47,990.8	47,031.7	48,368.5
Minorities	(34.6)	(41.8)	(40.7)	(42.6)	Long-term debt	3.0	5,003.0	5,003.0	5,003.0
Net income pre-preferred	479.9	1,595.3	1,616.6	1,490.5	Other long-term liabilities	4,495.8	4,495.8	4,495.8	4,495.8
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	4,498.8	9,498.8	9,498.8	9,498.8
Net income (pre-exceptionals)	479.9	1,595.3	1,616.6	1,490.5	Total liabilities	54,494.8	57,489.6	56,530.5	57,867.3
Post tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	479.9	1,595.3	1,616.6	1,490.5	Total common equity	2,079.6	3,023.1	3,979.2	4,860.7
EPS (basic, pre-exception) (Rmb)	0.58	1.81	1.83	1.69	Minority interest	188.9	222.0	254.1	287.8
EPS (basic, post-exception) (Rmb)	0.58	1.81	1.83	1.69	Total liabilities & equity	56,763.3	60,734.7	60,763.8	63,015.8
EPS (diluted, post-exception) (Rmb)	0.54	1.81	1.83	1.69	BVPS (Rmb)	2.36	3.43	4.51	5.51
DPS (Rmb)	0.22	0.74	0.75	0.69	Ratios	12/08	12/09E	12/10E	12/11E
Dividend payout ratio (%)	38.1	40.9	40.9	40.9	ROE (%)	20.8	62.5	46.2	33.7
Free cash flow yield (%)	23.3	(12.3)	3.8	0.8	ROA (%)	1.0	2.7	2.7	2.4
Growth & margins (%)	12/08	12/09E	12/10E	12/11E	ROACE (%)	(16.4)	(29.7)	(58.4)	(64.5)
Sales growth	12.7	15.3	(2.9)	5.3	Inventory days	259.4	290.3	306.1	291.7
EBITDA growth	(43.8)	43.5	15.3	(0.3)	Receivables days	192.7	162.2	172.6	165.7
EBIT growth	(54.6)	58.9	16.2	(3.3)	Payable days	456.3	367.4	357.1	340.4
Net income growth	(78.4)	232.4	1.3	(7.8)	Net debt/equity (%)	(474.2)	(205.9)	(179.4)	(145.4)
EPS growth	(78.6)	210.0	1.3	(7.8)	Interest cover - EBIT (X)	8.3	10.8	5.2	5.1
Gross margin	17.4	17.5	18.3	17.9	Valuation	12/08	12/09E	12/10E	12/11E
EBITDA margin	5.6	7.0	8.3	7.9	P/E basic (X)	63.4	20.5	20.2	21.9
EBIT margin	4.1	5.6	6.7	6.1	P/B (X)	15.7	10.8	8.2	6.7
Cash flow statement (Rmb mn)	12/08	12/09E	12/10E	12/11E	EV/EBITDA (X)	6.8	11.8	9.9	9.9
Net income pre-preferred dividends	479.9	1,595.3	1,616.6	1,490.5	Dividend yield (%)	0.6	2.0	2.0	1.9
D&A add-back	430.5	448.7	502.3	562.7	Additional metrics	12/08	12/09E	12/10E	12/11E
Minorities interests add-back	34.6	41.8	40.7	42.6	Power generation (kWh)	--	--	--	--
Net (inc)/dec working capital	4,485.0	(5,175.4)	290.6	(547.3)	Power attributable capacity (MW)	--	--	--	--
Other operating cash flow	1,793.6	(26.1)	(26.1)	(26.1)	Wtd-avg power tariffs (Rmb/kWh)	--	--	--	--
Cash flow from operations	7,223.7	(3,115.7)	2,424.1	1,522.3	Unit coal costs (Rmb/kWh)	--	--	--	--
Capital expenditures	(2,140.5)	(755.6)	(851.6)	(959.8)	Wtd-avg tariff coal-fired (Rmb/kWh)	--	--	--	--
Acquisitions	0.0	0.0	0.0	0.0	Utilization rate (%)	--	--	--	--
Divestitures	1.0	0.0	0.0	0.0	Reserve margin (%)	--	--	--	--
Others	199.7	0.0	0.0	0.0	Gas sales volume (gas unit)	--	--	--	--
Cash flow from investments	(1,939.8)	(755.6)	(851.6)	(959.8)	Wtd-avg gas tariffs (Rmb/gas unit)	--	--	--	--
Dividends paid (common & pref)	(196.1)	(196.1)	(651.8)	(660.5)	Unit gas costs (Rmb/gas unit)	--	--	--	--
Inc/(dec) in debt	(200.3)	5,000.0	0.0	0.0	Tap water tariffs (Rmb/cu. mtr.)	--	--	--	--
Common stock issuance (repurchase)	1,297.4	0.0	0.0	0.0	Tap water capacity (cu. mtr.)	--	--	--	--
Other financing cash flows	313.0	(8.8)	(8.6)	(9.0)	Tap water sales volume (cu. mtr.)	--	--	--	--
Cash flow from financing	1,214.0	4,795.1	(660.4)	(669.5)	Sewage proc. tariffs (Rmb/cu. mtr.)	--	--	--	--
Total cash flow	6,498.0	923.8	912.2	(106.9)	Sewage proc. capacity (cu. mtr.)	--	--	--	--
					Sewage proc. volume (cu. mtr.)	--	--	--	--

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.



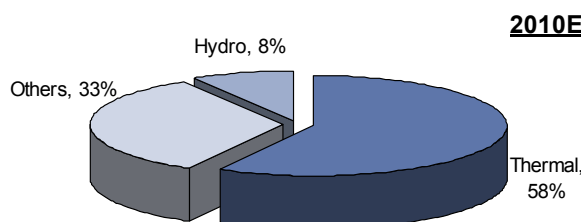
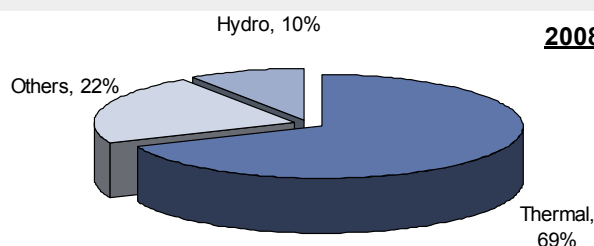
Source: Company data, Gao Hua Securities Research estimates.

Exhibit 29: Harbin Power summary financials and revenue fuel mix

In Rmb mn, except for per share data and ratios; 2008 and 2010E revenue by fuel type (%)

Profit model (Rmb mn)	12/08	12/09E	12/10E	12/11E	Balance sheet (Rmb mn)	12/08	12/09E	12/10E	12/11E
Total revenue	29,903.5	28,045.6	24,033.0	22,475.6	Cash & equivalents	7,221.7	7,942.9	9,727.8	11,146.4
Cost of goods sold	(25,426.1)	(24,006.1)	(20,400.1)	(19,098.6)	Accounts receivable	13,761.5	13,062.3	11,193.5	10,468.1
SG&A	(2,579.1)	(2,524.1)	(2,163.0)	(1,955.4)	Inventory	12,941.2	11,838.6	10,060.3	9,418.5
R&D	--	--	--	--	Other current assets	10,191.9	10,191.9	10,191.9	10,191.9
Other operating profit/(expense)	(74.0)	(196.3)	(144.2)	(112.4)	Total current assets	44,116.3	43,035.7	41,173.5	41,224.8
EBITDA	1,824.4	1,319.1	1,325.8	1,309.2	Net PP&E	3,802.8	3,936.5	4,081.4	4,238.8
Depreciation & amortization	(470.4)	(455.9)	(493.2)	(533.7)	Net intangibles	114.2	97.1	79.9	62.7
EBIT	1,354.0	863.2	832.6	775.5	Total investments	449.0	477.0	507.8	541.6
Interest income	237.5	197.6	217.3	266.2	Other long-term assets	484.3	484.3	484.3	484.3
Interest expense	(195.3)	(156.6)	(123.8)	(102.5)	Total assets	48,966.6	48,030.5	46,326.9	46,552.2
Income/(loss) from uncons. subs.	23.3	28.0	30.8	33.9	Accounts payable	10,527.8	9,865.5	8,383.6	7,848.7
Others	153.7	100.0	100.0	100.0	Short-term loans	870.7	870.7	870.7	870.7
Pretax profits	1,573.2	1,032.2	1,056.9	1,073.1	Other current liabilities	19,098.9	19,057.2	19,057.8	19,055.4
Income tax	(289.5)	(180.8)	(195.0)	(228.6)	Total current liabilities	30,497.4	29,793.4	28,312.1	27,774.8
Minorities	(241.9)	(156.2)	(161.1)	(164.2)	Long-term debt	3,535.1	2,535.1	1,535.1	1,535.1
Net income pre-preferred	1,041.8	695.2	700.9	680.3	Other long-term liabilities	5,366.2	5,366.2	5,366.2	5,366.2
Preferred dividends	0.0	0.0	0.0	0.0	Total long-term liabilities	8,901.3	7,901.3	6,901.3	6,901.3
Net income (pre-exceptionals)	1,041.8	695.2	700.9	680.3	Total liabilities	39,398.7	37,694.7	35,213.5	34,676.2
Post tax exceptionals	0.0	0.0	0.0	0.0	Preferred shares	0.0	0.0	0.0	0.0
Net income	1,041.8	695.2	700.9	680.3	Total common equity	8,136.1	8,747.7	9,364.3	9,962.8
EPS (basic, pre-exception) (Rmb)	0.76	0.50	0.51	0.49	Minority interest	1,431.8	1,588.0	1,749.1	1,913.2
EPS (basic, post-exception) (Rmb)	0.76	0.50	0.51	0.49	Total liabilities & equity	48,966.6	48,030.5	46,326.9	46,552.2
EPS (diluted, post-exception) (Rmb)	0.76	0.50	0.51	0.49	BVPS (Rmb)	5.91	6.35	6.80	7.24
DPS (Rmb)	0.09	0.06	0.06	0.06	Ratios	12/08	12/09E	12/10E	12/11E
Dividend payout ratio (%)	12.0	12.0	12.0	12.0	ROE (%)	13.6	8.2	7.7	7.0
Free cash flow yield (%)	9.0	20.9	32.8	18.2	ROA (%)	2.3	1.4	1.5	1.5
Growth & margins (%)	12/08	12/09E	12/10E	12/11E	ROACE (%)	19.4	13.0	16.4	20.7
Sales growth	8.2	(6.2)	(14.3)	(6.5)	Inventory days	165.9	188.4	195.9	186.1
EBITDA growth	(22.2)	(27.7)	0.5	(1.3)	Receivables days	162.3	174.5	184.2	175.9
EBIT growth	(27.9)	(36.2)	(3.6)	(6.9)	Payable days	138.6	155.0	163.3	155.1
Net income growth	(31.8)	(33.3)	0.8	(2.9)	Net debt/equity (%)	(29.4)	(43.9)	(65.9)	(73.6)
EPS growth	(32.6)	(33.3)	0.8	(2.9)	Interest cover - EBIT (X)	NM	NM	NM	NM
Gross margin	15.0	14.4	15.1	15.0	Valuation	12/08	12/09E	12/10E	12/11E
EBITDA margin	6.1	4.7	5.5	5.8	P/E basic (X)	8.6	12.9	12.8	13.2
EBIT margin	4.5	3.1	3.5	3.5	P/B (X)	1.1	1.0	1.0	0.9
Cash flow statement (Rmb mn)	12/08	12/09E	12/10E	12/11E	EV/EBITDA (X)	6.3	3.4	1.2	0.2
Net income pre-preferred dividends	1,041.8	695.2	700.9	680.3	Dividend yield (%)	1.4	0.9	0.9	0.9
D&A add-back	470.4	455.9	493.2	533.7	Additional metrics	12/08	12/09E	12/10E	12/11E
Minorities interests add-back	241.9	156.2	161.1	164.2	Power generation (kWh)	--	--	--	--
Net (inc)/dec working capital	716.5	1,139.5	2,165.3	832.4	Power attributable capacity (MW)	--	--	--	--
Other operating cash flow	51.1	(28.0)	(30.8)	(33.9)	Wtd-avg power tariffs (Rmb/kWh)	--	--	--	--
Cash flow from operations	2,521.6	2,418.8	3,489.6	2,176.6	Unit coal costs (Rmb/kWh)	--	--	--	--
Capital expenditures	(1,275.2)	(572.4)	(621.0)	(673.8)	Wtd-avg tariff coal-fired (Rmb/kWh)	--	--	--	--
Acquisitions	0.0	0.0	0.0	0.0	Utilization rate (%)	--	--	--	--
Divestitures	56.5	0.0	0.0	0.0	Reserve margin (%)	--	--	--	--
Others	(2,220.4)	0.0	0.0	0.0	Gas sales volume (gas unit)	--	--	--	--
Cash flow from investments	(3,439.0)	(572.4)	(621.0)	(673.8)	Wtd-avg gas tariffs (Rmb/gas unit)	--	--	--	--
Dividends paid (common & pref)	(123.9)	(125.3)	(83.6)	(84.3)	Unit gas costs (Rmb/gas unit)	--	--	--	--
Inc/(dec) in debt	(420.7)	(1,000.0)	(1,000.0)	0.0	Tap water tariffs (Rmb/cu. mtr.)	--	--	--	--
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0	Tap water capacity (cu. mtr.)	--	--	--	--
Other financing cash flows	2.1	0.0	0.0	0.0	Tap water sales volume (cu. mtr.)	--	--	--	--
Cash flow from financing	(542.4)	(1,125.3)	(1,083.6)	(84.3)	Sewage proc. tariffs (Rmb/cu. mtr.)	--	--	--	--
Total cash flow	(1,459.9)	721.2	1,785.0	1,418.5	Sewage proc. capacity (cu. mtr.)	--	--	--	--
					Sewage proc. volume (cu. mtr.)	--	--	--	--

Note: Last actual year may include reported and estimated data.
Source: Company data, Goldman Sachs Research estimates.



Source: Company data, Gao Hua Securities Research estimates.

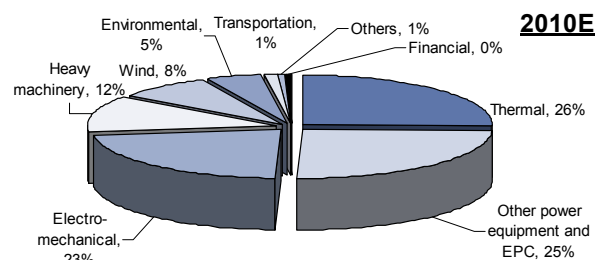
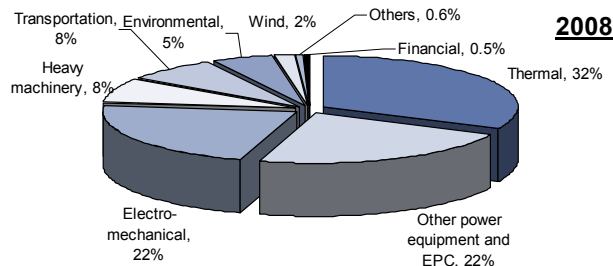
Exhibit 30: Shanghai Electric summary financials and revenue fuel mix

In Rmb mn, except for per share data and ratios; 2008 and 2010E revenue by fuel type (%)

Profit model (Rmb mn)	12/08	12/09E	12/10E	12/11E	Balance sheet (Rmb mn)	12/08	12/09E	12/10E	12/11E
Total revenue	58,906.9	56,778.2	58,514.6	62,503.6	Cash & equivalents	12,666.5	13,970.1	15,722.0	18,076.7
Cost of goods sold	(48,049.5)	(46,994.4)	(48,501.0)	(52,118.4)	Accounts receivable	13,815.7	12,444.5	12,825.1	13,699.4
SG&A	(5,354.7)	(4,542.3)	(4,681.2)	(5,000.3)	Inventory	21,367.9	19,312.8	19,931.9	21,418.5
R&D	--	--	--	--	Other current assets	15,887.0	15,887.0	15,887.0	15,887.0
Other operating profit/(expense)	(1,810.3)	(1,022.0)	(994.7)	(937.6)	Total current assets	63,737.1	61,614.4	64,366.0	69,081.6
EBITDA	3,692.4	4,219.5	4,337.7	4,447.3	Net PP&E	11,252.2	11,584.9	11,876.8	12,185.9
Depreciation & amortization	(979.4)	(958.9)	(1,015.8)	(1,074.9)	Net intangibles	952.7	847.9	743.0	638.2
EBIT	2,713.0	3,260.7	3,321.9	3,372.4	Total investments	3,543.6	4,181.1	4,848.4	5,547.2
Interest income	213.7	211.3	233.1	262.3	Other long-term assets	2,525.5	2,525.5	2,525.5	2,525.5
Interest expense	(72.8)	(42.1)	(108.8)	(108.3)	Total assets	82,011.0	80,753.7	84,359.8	89,978.5
Income/(loss) from uncons. subs.	527.0	597.5	627.4	658.7	Accounts payable	47,300.8	45,063.2	46,507.8	49,976.6
Others	653.9	390.0	390.0	390.0	Short-term loans	666.8	666.8	666.8	666.8
Pretax profits	4,034.8	4,417.4	4,463.6	4,572.0	Other current liabilities	2,656.3	2,773.8	2,721.7	2,696.8
Income tax	(394.6)	(567.0)	(759.2)	(891.6)	Total current liabilities	50,623.8	48,503.7	49,896.3	53,340.2
Minorities	(1,106.7)	(926.6)	(953.5)	(1,015.3)	Long-term debt	2,536.9	2,536.9	2,536.9	2,536.9
					Other long-term liabilities	693.3	693.3	693.3	693.3
Net income pre-preferred	2,533.6	2,923.8	2,750.9	2,668.3	Total long-term liabilities	3,230.1	3,230.1	3,230.1	3,230.1
Preferred dividends	0.0	0.0	0.0	0.0	Total liabilities	53,854.0	51,733.8	53,126.4	56,570.3
Net income (pre-exceptionals)	2,533.6	2,923.8	2,750.9	2,668.3	Preferred shares	0.0	0.0	0.0	0.0
Post tax exceptionals	0.0	0.0	0.0	0.0	Total common equity	21,598.7	22,178.6	24,101.1	25,965.9
Net income	2,533.6	2,923.8	2,750.9	2,668.3	Minority interest	6,558.3	6,841.2	7,132.3	7,442.3
					Total liabilities & equity	82,011.0	80,753.7	84,359.8	89,978.5
EPS (basic, pre-exception) (Rmb)	0.21	0.23	0.22	0.21	BVPS (Rmb)	1.73	1.77	1.93	2.08
EPS (basic, post-exception) (Rmb)	0.21	0.23	0.22	0.21	Ratios	12/08	12/09E	12/10E	12/11E
EPS (diluted, post-exception) (Rmb)	0.21	0.23	0.22	0.21	ROE (%)	12.3	13.4	11.9	10.7
DPS (Rmb)	0.06	0.07	0.07	0.06	ROA (%)	3.2	3.6	3.3	3.1
Dividend payout ratio (%)	28.8	30.1	30.1	30.1	ROACE (%)	19.2	20.1	19.5	19.1
Free cash flow yield (%)	0.0	10.7	8.4	9.9	Inventory days	143.8	158.0	147.7	144.8
					Receivables days	83.8	84.4	78.8	77.4
Growth & margins (%)	12/08	12/09E	12/10E	12/11E	Payable days	336.7	358.7	344.6	337.9
Sales growth	4.4	(3.6)	3.1	6.8	Net debt/equity (%)	(33.6)	(37.1)	(40.1)	(44.5)
EBITDA growth	(12.7)	14.3	2.8	2.5	Interest cover - EBIT (X)	NM	NM	NM	NM
EBIT growth	(17.1)	20.2	1.9	1.5	Valuation	12/08	12/09E	12/10E	12/11E
Net income growth	(10.0)	15.4	(5.9)	(3.0)	P/E basic (X)	15.2	13.8	14.7	15.1
EPS growth	(10.4)	10.2	(5.9)	(3.0)	P/B (X)	1.9	1.8	1.7	1.6
Gross margin	18.4	17.2	17.1	16.6	EV/EBITDA (X)	8.8	7.0	6.4	5.7
EBITDA margin	6.3	7.4	7.4	7.1	Dividend yield (%)	1.9	2.2	2.1	2.0
EBIT margin	4.6	5.7	5.7	5.4	Additional metrics	12/08	12/09E	12/10E	12/11E
					Power generation (kWh)	--	--	--	--
Cash flow statement (Rmb mn)	12/08	12/09E	12/10E	12/11E	Power attributable capacity (MW)	--	--	--	--
Net income pre-preferred dividends	2,533.6	2,923.8	2,750.9	2,668.3	Wtd-avg power tariffs (Rmb/kWh)	--	--	--	--
D&A add-back	979.4	958.9	1,015.8	1,074.9	Unit coal costs (Rmb/kWh)	--	--	--	--
Minorities interests add-back	1,106.7	926.6	953.5	1,015.3	Wtd-avg tariff coal-fired (Rmb/kWh)	--	--	--	--
Net (inc)/dec working capital	(583.7)	1,188.6	444.9	1,107.9	Utilization rate (%)	--	--	--	--
Other operating cash flow	(1,017.4)	(637.5)	(667.4)	(698.7)	Reserve margin (%)	--	--	--	--
Cash flow from operations	3,018.7	5,360.4	4,497.7	5,167.6	Gas sales volume (gas unit)	--	--	--	--
					Wtd-avg gas tariffs (Rmb/gas unit)	--	--	--	--
Capital expenditures	(3,140.5)	(1,186.7)	(1,202.9)	(1,279.2)	Unit gas costs (Rmb/gas unit)	--	--	--	--
Acquisitions	0.0	0.0	0.0	0.0	Tap water tariffs (Rmb/cu. mtr.)	--	--	--	--
Divestitures	407.0	0.0	0.0	0.0	Tap water capacity (cu. mtr.)	--	--	--	--
Others	73.7	0.0	0.0	0.0	Tap water sales volume (cu. mtr.)	--	--	--	--
Cash flow from investments	(2,659.8)	(1,186.7)	(1,202.9)	(1,279.2)	Sewage proc. tariffs (Rmb/cu. mtr.)	--	--	--	--
					Sewage proc. capacity (cu. mtr.)	--	--	--	--
Dividends paid (common & pref)	0.0	(763.0)	(880.5)	(828.4)	Sewage proc. volume (cu. mtr.)	--	--	--	--
Inc/(dec) in debt	350.1	0.0	0.0	0.0					
Common stock issuance (repurchase)	0.0	0.0	0.0	0.0					
Other financing cash flows	(1,028.6)	(2,107.1)	(662.4)	(705.4)					
Cash flow from financing	(678.5)	(2,870.1)	(1,542.9)	(1,533.8)					
Total cash flow	(319.6)	1,303.5	1,751.9	2,354.7					

Note: Last actual year may include reported and estimated data.

Source: Company data, Goldman Sachs Research estimates.



Source: Company data, Gao Hua Securities Research estimates.

Reg AC

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