NTC ECONOMICS

PRESS RELEASE

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CLSA ASIA-PACIFIC MARKETS

China PMI Report on Manufacturing

PMI at forty-eight month high. Inflationary pressures remain elevated.

Key findings for April 2008:

- **PMI at forty-eight month high.**
- **Output and new order growth at six-month highs.**
- **Employment growth the strongest since last September.**

Latest data from the CLSA survey of the Chinese manufacturing economy pointed to a further improvement in operating conditions in the sector in April. Output and new order growth accelerated to six-month highs, and firms recruited staff at the strongest pace since last September. Input and output price inflation moderated from March's survey-record rates but remained elevated.

Commenting on the survey, Eric Fishwick, Head of Economic Research at CLSA said:

"Strength was evident across the board in April. New orders jumped (export but especially domestic) as did output. While there is understandable concern that the weakness in the US economy will negatively impact China, there is no evidence of it yet in these data: the PMI shows that manufacturing activity has strengthened into the second quarter. It is costs and inflation that remain the biggest challenge for Chinese businesses. Input and output prices both remain on a steep upward trend."

The headline **CLSA China *Purchasing Managers' Index™ (PMI™)*** – a composite index designed to give a single-figure snapshot of manufacturing operating conditions – rose from 54.4 in March to 55.4 in April, its highest level since April 2004. The index reading signalled a robust improvement in the health of the sector.

Manufacturers expanded **production** at their plants at a sharper rate in April, reflecting stronger new order growth and the launch of new products. Growth of **incoming new business** to Chinese manufacturers was bolstered by firm demand, especially in domestic markets. The pace of increase of new work from abroad picked up from March, but nevertheless remained well below that of total new business.

Rising production requirements led firms to **recruit additional staff** for a second consecutive month in April, albeit at only a moderate rate. There were also some reports of planned company expansions leading to the rise in staffing levels.

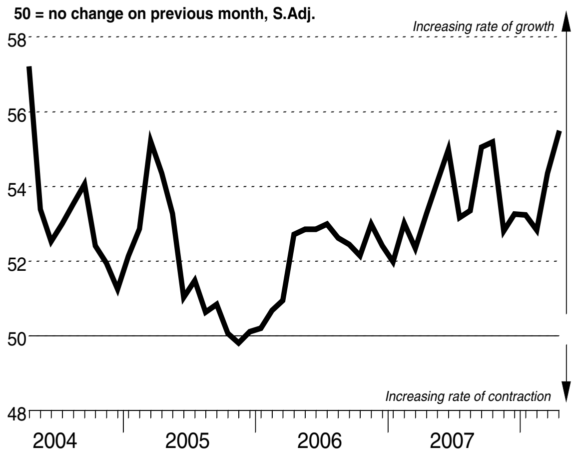
A solid rise in volumes of incoming new business placed further pressure on firms' capacity, as **unfinished business** accumulated at the strongest rate for ten months.

Firms stepped up their **purchasing of raw materials and semi-manufactured goods** in April, in response to rising production requirements. Despite strong input buying activity, **stocks of purchases** fell for the ninth consecutive month, albeit at only a moderate rate. Increased production and supply side delays were linked to the reduction. **Post-production inventories** also declined, as companies met some of the higher demand for their products by depleting stocks of finished goods.

Inflationary pressures eased from the previous month's survey-record highs, but nevertheless remained marked. Firms indicated that supply shortages continued to drive up global commodity prices. There were reports of higher prices for a range of inputs, including energy, steel, iron ore and chemicals.

Chinese manufacturers continued to raise factory gate prices at a considerable pace in April in order to pass on higher average costs to customers.

CLSA China Manufacturing PMI



Summary of April survey findings

	Latest Index	Latest Movement
PMI	**55.4**	↑
Output	57.9	↑
New Orders	58.6	↑
New Export Orders	52.0	↑
Backlogs of Work	53.0	↑
Quantity of Purchases	58.8	↑
Input Prices	75.2	↓
Output Prices	62.4	↓
Suppliers' Delivery Times	46.2	↑
Stocks of Purchases	48.9	↑
Stocks of Finished Goods	48.1	↑
Employment	51.9	↑

For full dataset contact Richard Willis on:
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Please see over for further information

Notes on data

The CLSA China Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on the regional and industry contribution to Chinese Industrial production.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

The Purchasing Managers' Index (PMI) is a composite index based on five of the individual indexes with the following weights derived by the National Association of Purchasing Management in its survey in the US: New Orders - 0.3, Output - 0.25, Employment- 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction. The PMI is designed to show a convenient single-figure summary of the health of the manufacturing sector.

Press information

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CLSA is a leading brokerage, investment banking and private equity group in the Asia-Pacific Markets. Founded in 1986 and headquartered in Hong Kong, CLSA's major shareholder is France's Calyon, Credit Agricole's corporate and investment bank subsidiary. Credit Agricole, which merged in 2003 with Credit Lyonnais, is now the 6th largest bank in the world by Tier One capital and the 7th largest bank in the world by assets.

CLSA has had a longstanding commitment to China with an active presence there since 1990 and in 2002, set up China Euro Securities Limited, the first joint venture to be granted a domestic investment banking licence in China since its entrance into WTO. CLSA's China research team is consistently ranked for their in-depth coverage of over 68 listed companies. CLSA has completed over 140 China-related equity capital markets fund raisings in the international capital markets.

NTC Economics is one of the world's leading specialist providers of business research information. Current research includes continuous surveys of economic conditions in all main European countries as well as the Far East. NTC reports are widely used by governments, businesses and financial markets. NTC hold the copyright for the Purchasing Managers Indices (PMI) which is the methodology utilised to collect business data and followed for this report. Speed is an essential attribute and the PMI methodology allows publication of data within 2 weeks of collection of questionnaires so producing up-to-date indicators of activity and future trends.

Further information on the PMI surveys can be obtained from www.ntceconomics.com.