

## LIKELY SHORT-TERM SLOWDOWN

4 July 2008

The 15-20% increase in fuel price, the largest yet, is likely to have a short-term negative impact on road traffic. We should see it in the June/July numbers. However we do not expect a long-term impact on driving patterns or pent-up transport demand. Rail companies should face minimal impact from increased power costs whilst benefiting from higher cargo tariffs. We maintain our long-term Buy on Hopewell, Anhui, Shenzhen, Guangshen and Daqin.

**Passenger Traffic:** Slowing Again to 6%

- Road Up 8% in May
- Rail Up 6%
- Air Up Only 1%

**Cargo Traffic:** Road Still Strong

- Road Up 18% in May
- Rail Up 8%
- Air Up 8%

**FAI:** Rail and Urban Transit Still Strong

- Rail Up 24%, Urban Transit Up 26% in May
- Road Down 2%
- Air Growing Again, Up 11%

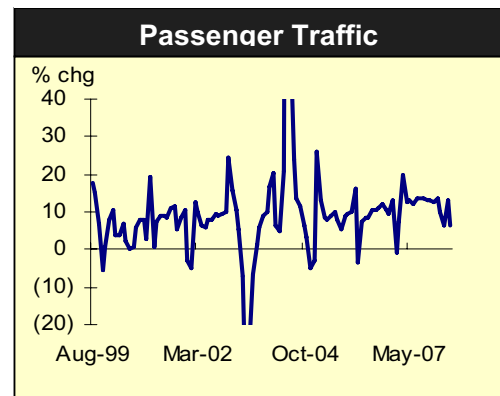
**Share Prices:** Down With the Market

- Except Jiangsu, Up 7%
- Anhui Down 7%
- Others Down 11-24%

**Data To Watch:** For Signs of Reversal

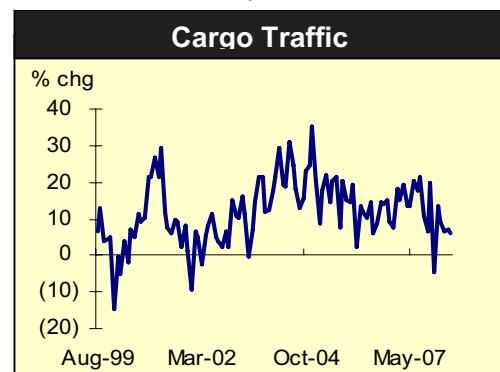
- FAI: Rail Growing Strongly Again - Happening
- Traffic: Strengthening Again to 10%
- Tariffs: Rising - Happening for Rail Cargo
- Corporate Activity: Asset Injections

Slower At 6%



Source: CEIC

Steady At 6%



Source: CEIC

### Recommendations

- Hopewell (737.HK)
- Anhui (995.HK)
- Shenzhen (548.HK)
- Guangshen (525.HK)
- Daqin (601006.SS)

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