

## Today's keynote speaker

**Chandran Nair**  
ERM Asia-Pacific

**"Sustainable Development in Asia:  
The Challenge of Our Times"**

*Conrad International Ballroom, Today at 1 PM*

Chandran Nair is the Chairman of ERM Asia-Pacific, where the Group currently has 21 offices in 12 countries and employs close to 500 staff. ERM clients include over 80% of the Fortune 500 companies.

A frequent advisor to multinationals on trends in the Asia-Pacific region, he has travelled and worked extensively in the region and has developed working relationships with many of the government agencies, NGOs, corporations, and development agencies in Asia. He has given talks on issues such as the challenges of globalisation, investment geo-politics, stakeholder rights and corporate social responsibility to business groups in London, New York, Washington, Sydney and most of the major capitals in Asia. He has also been the Asia-Pacific advisor to the Prince of Wales Business Leaders Forum since 1992.

In recent years Mr Nair has through project work and professional forums advocated a more sustainable approach to the development process in the Asia Pacific region.



## Tomorrow's keynote speakers

**The Rt Honourable John Major**  
Former UK Prime Minister

**"The Reshaping of the Political Map"**

*Conrad International Ballroom, Friday 26 March, 1 PM*

John Major grew up in Brixton, and became Prime Minister of the UK in November 1990. He was Prime Minister for seven of the Conservatives' 18 consecutive years in power.

Mr Major has now retired from the House of Commons and in 1999 published his political memoirs.



**Governor Jia Zhibang**  
Shaanxi Province, China

**"An Opening Shaanxi: Investment Opportunities"**

*Island Shangri-la, Ballroom B, Friday 26 March, 9.45 AM*

Governor Jia Zhibang became Governor of Shaanxi Province at the first session of the Tenth Shaanxi People's Congress in January 2003, after serving as Acting Governor of Shaanxi from May 2002 to January 2003. He is also a member of the 16th Chinese Communist Party (CPC) Central Committee.



# Why Yang is a China bull

Investor  
Talk

Yang Liu, a delegate to this year's AIC, is the head of China equity investment for Atlantis. Formerly with Colonial Mutual-First State Investment and before that a finance executive with CITIC Group Beijing, Yang's fund has enjoyed stellar performance. From managing only \$18 million one year ago, she now manages \$300 million of China-directed funds. Her one year return has been 120%, since the fund was launched on March 19, 2003.

### What can you and can't you invest in?

I can invest in every Chinese company, or any company as long as their assets and earnings come from China. Basically the categories boil down to China A shares, B shares, H shares, red chips, ADRs and P chips. But it all depends on where the earnings come from. For example, Cathay Pacific we don't consider to be a Chinese company, but an international carrier.

### Would you be able to buy a Japanese company that was a China play, such as Komatsu?

Theoretically, yes. But I already have too many choices from China. So I tend to be really focused. I tend to have bigger weighting on red chips, H shares and P chips. The P chips from China are phenomenal. I have put more money into those.

### You have seen large fund inflows. What would be the full capacity where you would cap the fund?

About \$500 million. I was just visited by a big private investor earlier today. We are still seeing a lot of interest.

### What is your investment philosophy?

China is a great place to make a fortune in the coming three or five years. I didn't say this before, but now I feel it is China, China, China. My philosophy is to buy young companies and grow with them. The management makes big money and with them, you make small money. I try to identify the future stars. I mean 10 years ago I'd never heard of Samsung Electronics and now look at it. In China, the atmosphere is in place to create such companies. We have the national wealth and high growth and a lot of good companies will appear.

Chaoda Modern Agriculture is our top holding. We started to buy it last April when Chaoda stock hit HK\$0.60, mainly because one famous local fund which held more than 10% had been selling the stock from the HK\$2 level. I thought the company was a strong buy when it was trading at only 2.5x PE with 5% dividend

yield. When I bought the company it had a \$200 million market capitalisation; now it is almost \$1 billion. I haven't sold one single share as it is still trading 8x PE '04 despite going up more than five times since the first time I bought.

### Chaoda was a company that suffered due to the Euro-Asia Scandal. How do you avoid buying stocks like Euro-Asia that might have similar fraud issues?

I avoid them through my judgement and connections, my hard work and due diligence. To me, the big risk in China is not country risk. The risk is at the company level. In the



case of Chaoda, I visited all of their production bases. How many fund managers would do that? How many fund managers went to check Euro-Asia's facilities or checked how much tax was paid to the local authorities? Their cashflow problem could very clearly be seen in the interim annual result. They created something like \$300 million of sales and have cash in hand of only \$5 million. What is wrong? You need to ask. You must do your own due diligence. As a fund manager you should be able to pick up such discrepancies. I sold out of Euro-Asia at HK\$2, and was quoted as saying I thought there were cashflow problems.

My background helps me a lot. I worked for CITIC

in Beijing, and was a government official – but I was trained in Western systems.

### How much of what you do is about getting to trust the Chinese entrepreneurs behind these P chips?

I never trust them until I finish my due diligence. We have our own channels. We go to speak to their local competitors; to local government organisations; to local brokers. We look at the fundamentals of the company within the industry; whether the industry is sexy and has substantial growth potential; whether the team has stuck with the business; the family background; the entrepreneur's relationship with local government; his history; does he pay his tax? Is it true that the amount he claims he paid was actually paid? So it's not a one day job. It takes a few months.

I bought Chaoda at the lowest point in the company's entire trading history. For Chaoda our research took one year.

### So it takes a while for you to make a new investment?

My investment strategy has two parts. For 70% of the portfolio we have core holdings that we buy and hold for more than three years. That amounts to 20-25 companies. I take advantage of the fact that the majority of the China listed companies have very little coverage, so I can add value by doing my own research and finding value. I am very fussy about these companies. I visit them and talk to the management a lot and keep track of developments to make sure there are no disasters.

Then another 30 names may account for 1% each. This is my trading portfolio. It's momentum and timing trading, as well as IPOs. I tend to try and take 20% profit on these trades.

I also try to stick to key themes. The first is residential property – and that relates to more than 60 sectors including glass, cement and steel. I feel that property in China is a big phenomenon because it will be the key sector to tap into middle-class population consumption; in this decade at least, it will continue to grow by double digits for many years. Second is energy, resource and basic metals. Third is closed industries such as media and finance. Fourth is high end consumption related stocks such as plasma TVs and personal healthcare.

### Do you buy A shares, or are you planning to?

I will buy A shares very soon. I just got approval from our board two weeks ago.