

EMISSARY CAPITAL BUSINESS REPORT

REPORT HIGHLIGHTS:

- *India's inflation falls to 2.43%*
- *S&P sees India's economic growth slowing to 6% in 2009*
- *India's industrial output falls for second month in a row.*
- *February auto sales experienced the largest percentage gain in two years*
- *China's inflation falls to 1.6% in February*
- *China's auto sales surges 25% in February*
- *Commerce Ministry eases FDI rules for businesses with less than \$100 million in registered capital*
- *February property prices across 70 Chinese cities decline 1.2% y/y, steepest since 2005*

INDIA

DEAL ANALYSIS:

India Rank (Global)	12
India Rank (Asia)	7
India (# of deals)	4
India (Deal value)	0 .279B

Includes: IPO, FPOs and Convertibles (2009 YTD)

Source: The Economic Times, Business Standard and company filings

ECONOMIC NEWS:

- Inflation fell to 2.43% from 3.03% a week earlier according to data issued by India's Ministry of Commerce and Industry. Analysts were expecting 2.34% and the RBI projects inflation to settle in at roughly 3% by year end March 31. The Wholesale Price Index rose 0.04% to 227.7 from 227.6 in the previous week.
- S&P estimates real economic growth will slow to 6% for year-end March 31, but reckons fiscal and monetary steps taken and a still high domestic savings rate will likely jolt the economy beginning June-July 2009 timeframe, assuming the worst of the global economic situation has passed. S&P is forecasting GDP growth to recover to 7.3% by March 31, 2010.

INDUSTRY NEWS:

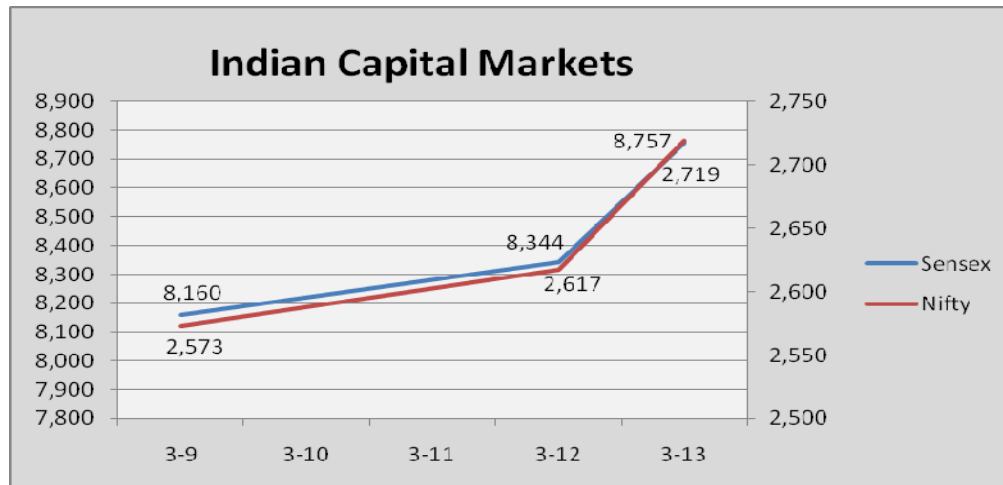
- According to data issued by the Central Statistical Organization (CSO), January industrial output fell for the second consecutive month by 0.5% y/y after declining 0.6% in December. In efforts geared towards reversing this trend, India's government has reduced factory levies by as much as 600 basis points since December, committed an additional 200 billion rupees (\$3.9 billion) in expenditures and allowed foreign investors to purchase more corporate bonds as part of its stimulus plans.
- According to data issued by India's Society of Indian Automobile Manufacturers (SIAM), February auto sales experienced the largest percentage gain in two years due to

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improvements in retail financing alternatives, but also as a result of an easy y/y comparison. Domestic auto sales posted a y/y increase of 22% to 115,386 units versus 94,757, its first and largest gain since September 2008 and February 2007, respectively.

- Tata Steel, the world's fifth largest steelmaker, has been in talks with bankers about potential plans to restructure the finances of Anglo-Dutch steelmaker Corus, as European markets struggle against a downturn in the steel sector. If conditions continue to worsen, the Indian steel producer could ask lenders to its UK arm, which owns Corus, to reset the covenants on \$4.1 billion of loans put in place for the 2007 acquisition. Tata previously had no near-term liquidity issues and was not in need of a capital injection, but may now consider an equity injection should conditions worsen or negotiations with bankers prove unproductive. Corus is close to an agreement to sell a majority stake in a steel plant on Teesside in the north of England for \$450 million, which if completed, would give Tata greater negotiating power with its lenders.
- A share sale by the CEO of Bharti Airtel, India's largest mobile telecommunications operator, triggered fears that changes at the top of the company could be imminent, prompting a 6% decline in the stock. Data from the National Stock Exchange indicated that 123,000 shares worth \$1.3 million were sold, a transaction that the company quickly described as of a personal nature and unrelated to any impending departure. One industry observer speculated that a power struggle was under way that would ultimately lead to changes among top executives.
- The government appointed board of Satyam has formally begun considering expressions of interest made by the three Indian companies. While Larsen & Toubro, India's biggest engineering group, IT firm Tech Mahindra and conglomerate, Spice Group are all expected to make bids for a 51% stake, Larsen is seen by most observers as the frontrunner, given the engineering group already owns 12% of the company.

CAPITAL MARKETS UPDATE:

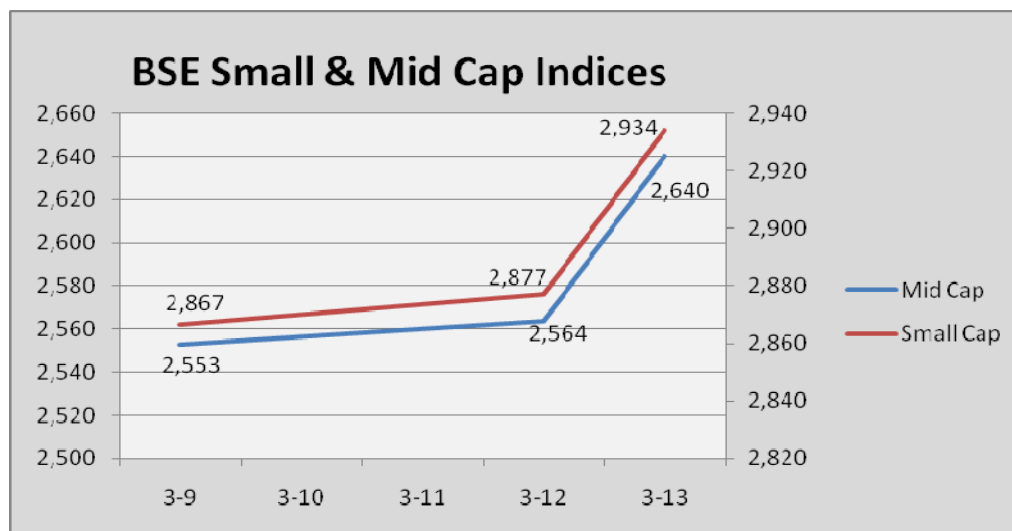


Source: The Economic Times, The Financial Times, Yahoo Finance!

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- Led by financials, Indian markets posted its largest gains since December 2008 with the Sensex gaining 5.2% for the week and 5% on the last day of trading to close at 8,756.61. The S&P CNX Nifty Index gained 3.9% to close at 2,719.25 while the BSE 200 Index advanced 4.3% to 1,023.70. Among winners, shares of ICICI Bank Ltd., gained more than 8% reflecting its largest weekly advance in twelve weeks while its biggest rival, the State Bank of India, climbed 4.6%. Shares of HDFC Bank Ltd, India's third-biggest lender by market value, rose 4.5% and Housing Development Finance Corp., India's largest mortgage lender, rose 6.8%. Shares of Reliance Industries Ltd. surged 6.8% over a report that the company may start producing gas from its biggest field next month. Among IT firms, shares of Tata Consultancy Services, Infosys Technologies and Wipro Ltd. rose 6.2%, 5.6% and 6.1%, respectively.

SME / SMALL & MID CAP NEWS:



- A recent study indicated that foreign entities have boosted holdings in 256 of 668 small and mid-cap India companies listed on the BSE, such as Fresenius Kabi Oncology Ltd., BOC India, Gokaldas Exports, UTV Software and Communications, Foseco India, and IL&FS Investmart. In 6 of the 256 cases, foreign investors have emerged as majority shareholders.

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CHINA

DEAL ANALYSIS:

China Rank (Global)	3
China Rank (Asia Pacific)	2
China (# of deals)	14
China (Deal value)	6.25B

Includes: IPO, FPOs and Convertibles (2009 YTD)
Source: China Daily, Financial Times and company filings

ECONOMIC NEWS:

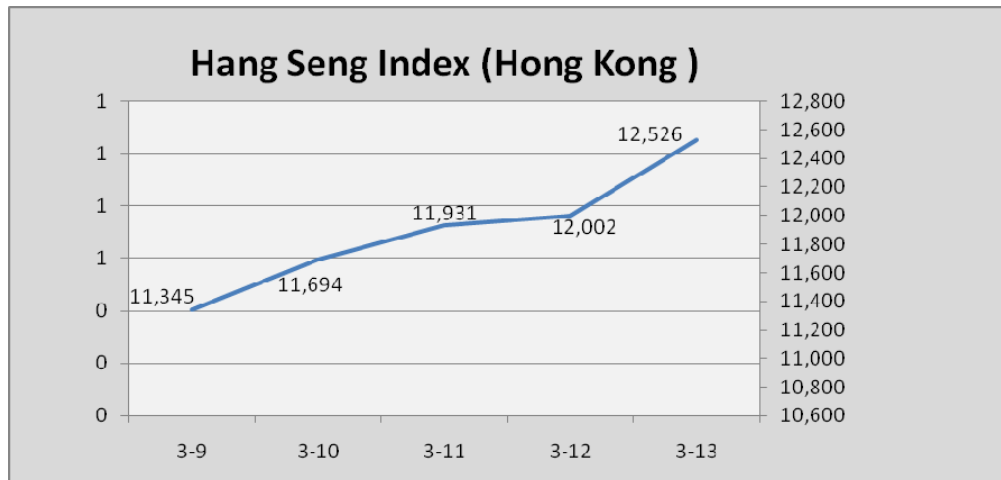
- According to China's National Bureau of Statistics, China's February CPI declined 1.6% y/y after a 1% gain in January, its first y/y decline in more than six years, while the PPI fell 4.5% from a year earlier, its third straight monthly decline. A nationwide index of housing prices continued to decline as well. Food prices, which make up one-third of the CPI, fell 1.9% while non-food prices fell 1.2%. Economists expect CPI to pick up again later in the year in line with the government's 4% forecast.
- February monthly trade surplus declined sharply to \$4.84 billion as exports and imports fell 25.7% and 24.1%, respectively, representing a steep drop-off from the \$39.1 billion surplus recorded in January, which was down from \$40.09 billion in November. Analysts expect further declines in exports with some projecting a trade deficit by as early as June. In response to the February figures, China's Commerce Minister vowed to remove export taxes and offer more financial support to the manufacturing sector.
- According to a survey conducted by market research consultancy DDMA, consumer confidence in China's cities likely fell during February primarily over job security concerns. The survey, which polled 602 mid- to high-level consumers in Beijing, Shanghai, Guangzhou, Chengdu and Shenyang, found that approximately 45% of those polled had cut back significantly on spending while 15% had plans to do so.
- The Commerce Ministry eased foreign investment rules for businesses with less than \$100 million in registered capital, by shifting the approval process directly to local governments in an attempt to revive FDI after 32.6% y/y decline in January. Previously all foreign investments required both local and ministry-level approvals. Local governments will be authorized to issue bonds, but the central government will exert control over the funding process. The State Council will have to approve the bond issuances, while the Ministry of Finance will act as an agent for the local governments.

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INDUSTRY / BUSINESS NEWS:

- According to CAAM, February auto sales rose for the first time in four months due to Lunar New Year Timing and in response to tax cuts on sub-1.6 liter engine cars. Sales of passenger cars, buses and trucks increased 25% y/y to 827,600, while sales for the first two months of 2009 rose 2.7% to 1.56 million. The two-month data extends China's lead over U.S. as the world's largest auto market, which sold 1.35 million vehicles over the same period.
- Cathay Pacific Airways reported an annual loss of \$1.1 billion partially a result of year-end fuel-hedging losses totaling \$979.9 million after a sharp drop in oil prices. The total included unrealized losses from contracts set to expire over the next several years. The airline said it will meet falling demand by cutting capacity, deferring new aircraft deliveries and returning more leased aircraft.
- China Minsheng Bank, the country's first private sector lender, is in discussions with European financial firms over the sale of a minority stake after Temasek, the Singaporean sovereign wealth fund, sold off its remaining holding in 2008. Minsheng also plans to raise \$1.46 billion by issuing up to 1.5 billion new shares in a private placement to existing large shareholders.
- Property prices across 70 Chinese cities decline 1.2% y/y in February, the largest decline since 2005 as developers continued to reduce prices in an attempt to lure homebuyers back into the market. Shenzhen suffered the most with a 15.7% decline, while Guangzhou and Shanghai saw prices fall by 4.4% and 2.4% respectively. China Vanke, the country's largest developer by market value, and China Overseas Land, China's largest Hong Kong-listed developer, announcing volume increases of 150% y/y and 61.2% y/y respectively.

CAPITAL MARKETS UPDATE:



Source: FT, WSJ, Bloomberg, Xinhua

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- Hong Kong stocks rose four straight days reflecting the benchmark's longest winning streak in a month, led by financials after statements from General Electric Co. and Bank of America Corp. eased investor concerns. The Hang Seng Index gained 524.27, or 4.4%, to close at 12,525.8 for the week, adding to a 5.8% three-day advance.



Source: FT, WSJ, Bloomberg, Xinhua

- Mainland indices fell this week, as investors responded to declines in industrial output, slumping exports and the absence of additional stimulus measures that were expected from Premier Wen Jiabao. The Shanghai Composite Index declined 2.93% to close at 2,129.01, the CSI 300 Index declined 3.55% to 2,205.42 and the Shenzhen declined 4.54% to close at 7,875.74.

FOCUS OF THE WEEK:

Shares of Oriental Century halted as CEO confesses to accounting fraud:

Singapore Exchange-traded shares of China-based education firm Oriental Century Ltd. were halted after its CEO admitted to substantially inflating the company's sales and cash balances. According to a filing to the exchange, CEO Wang Yuan tendered his resignation at a board meeting, which the board accepted and subsequently appointed Chief Investment Officer Lei Hua as acting CEO who, along with the CFO, is expected to travel to China to investigate the matter further.



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Mr. Wang revealed that the cash and cash equivalents amount of 234 million RMB, or \$34 million, reported in its unaudited 2008 financials had been artificially inflated after KPMG casted doubt over Oriental Century's figures and balances. Shares of the company fell 16% as a result, resulting in a market capitalization of approximately 26 million Singapore dollars or \$17 million. Shares of Raffles Education, Oriental Century's largest shareholder, declined 19% over the next two days in response, but regained almost 5% of the loss after the company moved to alleviate concerns over its exposure to Oriental Century. Raffles Education noted that it had invested a total of \$30.2 million Singapore dollars in Oriental Century since December 2006.

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