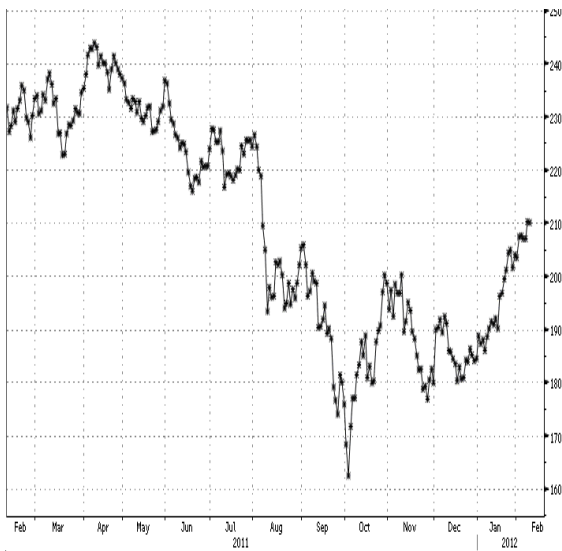


Hang Seng Index Performance



Source: Bloomberg

Index Performance

	Close	Abs Chg	% Change		
		1-Day	1-Day	1-Mth	3-Mth
Hong Kong					
Hang Seng Index	21,010.01	-8.45	-0.04	10.55	10.79
HSCI	2,931.68	12.57	0.43	12.07	11.48
HSCCI (Red Chips)	4,135.90	54.04	1.32	8.97	10.90
HSCEI (H-Shares)	11,669.15	-36.71	-0.31	12.06	13.29
Mkt T/O (\$ Mn)	90,118.80	14,024.65	18.43	89.66	49.13
Overseas					
DJIA	12,890.46	6.51	0.05	4.02	9.42
NASDAQ	2,927.23	11.37	0.39	9.37	11.66
Shanghai SE Composite	2,349.59	2.06	0.09	2.79	-5.24
Mar Crude Oil (US\$)	99.84	1.13	1.14	-1.45	4.28
Feb Gold (US\$)	1,732.90	-8.70	-0.50	6.19	-1.54
USD / Euro		-			
	1.3240	0.0033	-0.25	3.94	-2.68
Yen / USD	77.089	0.0594	0.08	0.34	-0.94

HSCEI

HSI

20-Day MA	11,148.38	20,079.76
50-Day MA	10,450.10	19,141.88
9-Day RSI	70.49	77.81

Market Outlook

Eric Yuen – ericyuen@guoco.com (852) 2218 2865

Hang Seng Index closed down 8 points at 21,010. Market turnover increased to \$90.1 billion, the highest in two months. HKEx (388) added 2.9%. Export-oriented counters such as **Esprit (330)**, **Cosco Pacific (1199)** and **Li & Fung (494)** advanced 5.4%, 3.3% and 1.2% respectively. Local banks and properties showed mixed performance. **Belle Int'l (1880)**, the worst performing index stock, plunged 2.5%. HSCEI fell 0.3% because a rebound in China's inflation rate reduced the chance of a cut in reserve requirement ratio. Excluding **China Minsheng Banking (1988)**, the remaining Chinese banks all declined with an average loss of 0.9% on rumour of share placement of **Bank of Communications (3328)**. Chinese property developers rallied for a second day. Ten largest Chinese property developers, except **Soho China (410)**, surged an average 5.2%. **China Longyuan (916)**, **China Railway Group (390)** and **Chalco (2600)**, the best performing HSCEI stocks, climbed 4.4%-5.6%. Automobile stocks tumbled on profit taking. **BYD Company (1211)** retreated 3.9%.

We reiterate our view that short-term investors should take profit on cyclical stocks and wait for another buying opportunity. The best entry point for the Hang Seng Index is 20,000 or below.

Industry / Corporate News

Templeton increased stake in CVTM (893) to over 7.0%- BUY

Templeton bought 2.58mn shares of CVTM (893, \$1.98) at average price of \$1.744 per share on Feb 6, lifting its stake to 7.02%. *Comment: Despite a 14% surge in last two weeks, we believe CVTM is still an undervalued play given its stable margin (a gross margin of around 48%-50% in 2011 and 2012), healthy balance sheet (net cash position as at 1H11) and continuous growth in iron ore reserves through active acquisition in the area. As the second largest iron ore miner in Sichuan area, CVTM will continue to act as one of the main consolidators of the smaller iron ore mines in the area. Company's latest pending acquisition is the Pangzhihua Yixingda Mine at consideration of RMB600mn. It is estimated that the mine has at least 100mnt of iron ore resources at 15% ore grade, implying a consideration of RMB40/t which is reasonable in our view. Upon completion of the acquisition, it is expected to boost company's iron ore resources by 23% and annual iron concentrate production by 37% (the mine will commence production in 2H14). Counter is trading at around at 5x 2012 PER and 1x book value that we believe is undemanding. Rate it a BUY with a 6-month target price of \$2.90, implying an 8x 2012 PER and 1.4x 2012 PBR.* (Becky Yuen)

Technical Ideas

Xinyi Glass (868, \$5.39) TP: \$5.87 BUY



Xinyi Glass is China's leading glass manufacturer.

Year-to-date, it lagged behind companies in the automobile, construction materials and solar energy industries, which are Xinyi's business areas. However, such weak trend has reversed. Share price rose 7.6% yesterday with turnover equals 5.4x of 3-mth daily average, rising above the trade range since November 2011.

BUY 1/2 bet at current price. ADD remaining 1/2 bet at \$5.13. Short-term target is \$5.87, slightly sma250. Cut loss at \$4.49, slightly below Wednesday's low.

Consensus 2012 PER: 10.7x

Consensus target price: \$5.29

BoCom (3328, \$6.31) TP: \$6.02 SELL



Bank Of Communications is one of China's leading banks.

In the past 5 trading days, it is the 6th worst performing HSCEI stock, which implies its strong rally since October 2011 has weakened. Yesterday, share price dropped 2.5% with turnover equals 1.7x of 3-mth daily average, dropping below sma10.

SELL. Short-term target is \$6.02, slightly above the top in mid-November 2011. Cut loss at \$6.56, slightly above this week's high.

Consensus 2012 PER: 5.9x

Consensus target price: \$6.53

Note: Fufeng Group (546) rose by 2.4% with turnover equals 7.1x of 3-mth daily average, rising above the trade range in the past 1 month. Reiterate BUY recommendation and ADD 1/2 bet with target price at \$4.88.

Exceptional Turnover & Price Movements

Stock	Stock Code	Price Change (%)	Turnover / 3-mth daily avg turnover
Brightoil Petroleum	933	16.0	13.1
China Overseas Grand Oceans	81	14.3	14.8
Li Ning	2331	13.9	6.0
China Starch	3838	13.5	26.4
China Sunshine Paper	2002	12.6	8.0
Man Wah Holdings	1999	11.6	4.8
China Glass Holdings	3300	10.4	5.4
Lijun Intl Pharmacetl	2005	9.5	19.4
Eva Precision Industrial	838	9.1	22.3
China Fiber Optic Network	3777	9.0	3.2
Nagacorp	3918	8.5	3.6
Beijing Capital Land	2868	8.3	8.3
China High Speed Transmission	658	8.3	2.8
I.T Ltd	999	8.2	4.4
Glorious Property	845	8.0	5.8
Powerlong Real Estate	1238	7.9	5.8
Pacific Basin Shipping	2343	7.7	5.4
Xinyi Glass	868	7.5	5.4
Winsway Coking Coal	1733	7.5	5.0
Kwg Property	1813	7.4	2.5
Kaisa Group	1638	7.4	5.8
Evergrande	3333	7.3	3.6
Tcc Intl	1136	7.3	4.0
China Zhengtong Auto Service	1728	7.2	2.2
Greentown China Holdings	3900	7.2	3.0
Jingwei Textile Machinery	350	7.1	6.9
Sinotruk Hong Kong	3808	7.1	5.8
Haier Electronics Group	1169	7.1	2.0
Shimao Property	813	7.0	2.6
C C Land	1224	7.0	4.0
Xingda Int'L	1899	7.0	3.3
Goodbaby International	1086	6.8	14.
China Medical System	867	6.7	8.7
Dongyue Group	189	6.6	2.6
Foxconn International	2038	6.5	6.7
Country Garden	2007	6.5	5.2
Bbmg Corporation	2009	6.4	3.2
Zhuzhou Csr Times Electric	3898	6.3	2.3
China Dongxiang Group	3818	6.3	7.6
China Resources Cement	1313	6.2	4.0
Boshiwa International	1698	6.2	3.0
Yuanda China	2789	6.1	9.0
Shenguan Holdings	829	6.0	2.8

RSI Indicator

Overbought (9-day RSI > 80)	5, 17, 34, 38, 52, 67, 69, 81, 101, 123, 163, 171, 173, 175, 196, 202, 208, 228, 233, 238, 267, 293, 312, 317, 330, 363, 368, 390, 395, 405, 435, 449, 468, 486, 497, 517, 522, 525, 555, 568, 571, 573, 588, 603, 632, 658, 665, 683, 691, 698, 712, 716, 717, 733, 746, 750, 752, 754, 756, 769, 806, 808, 826, 831, 842, 845, 861, 867, 881, 883, 891, 895, 904, 917, 921, 933, 966, 975, 999, 1029, 1033, 1039, 1041, 1053, 1093, 1101, 1105, 1121, 1132, 1155, 1186, 1198, 1199, 1238, 1259, 1280, 1308, 1368, 1378, 1555, 1618, 1623, 1685, 1698, 1717, 1768, 1812, 1828, 1868, 1881, 1919, 1968, 1997, 1999, 2002, 2006, 2198, 2222, 2233, 2266, 2299, 2302, 2313, 2314, 2331, 2343, 2382, 2388, 2468, 2678, 2689, 2698, 2778, 2866, 2868, 2877, 2880, 3087, 3300, 3382, 3800, 3808, 3838, 3899, 3900, 3918, 3933, 3993, 87001
Oversold (9-day RSI <20)	Nil

MACD Indicator

Positive crossing	69, 86, 152, 208, 347, 410, 489, 538, 669, 735, 762, 763, 916, 1109, 1111, 1169, 1194, 1338, 2128, 3383, 3818, 3998
Negative crossing	941, 998, 1128, 1288, 1833

Upcoming Events

Feb 14	23	Bank of East Asia	Final
Feb 29	388	HKEEx	Final

HSI & HSCEI Constituents Performance

		Price Change (%)				Outperform	Shipping, Base Metal, Cement, Global Play				
Index		5 D	1 M	3 M	vs 3M High	Underperform	Telecom, Banking (PRC), Utility (HK)				
Hang Seng Index		1	11	5	0	Mixed	Property (HK), Consumer, Banking (PRC)				
Hana Sena China Ent Index		1	14	7	0						
		Price Change (%)						Price Change (%)			
Stock Code	Company Name	5 D	1 M	3 M	vs 3M High	Stock Code	Company Name	5 D	1 M	3 M	vs 3M High
330	Esprit Hldgs	18	39	40	0	763	ZTE	2	-4	-3	-9
1099	Sinopharm	18	22	7	0	1157	Changsha Zoomlion	2	30	3	0
1919	China COSCO	18	41	32	-1	1988	Minsheng Bank	2	10	13	0
2600	CHALCO	11	25	-1	-1	12	Henderson Land	2	10	-1	-1
1211	BYD	11	49	45	-4	23	Bank of E Asia	1	5	6	-5
3323	CNBM	9	30	-3	-3	2318	Ping An	1	29	2	0
390	China Railway	9	33	19	0	857	PetroChina	1	9	11	-1
1199	COSCO Pacific	8	25	26	0	66	MTR Corporation	1	6	3	0
2328	PICC P&C	8	13	4	0	1800	China Comm Cons	1	18	25	-3
1186	China Rail Cons	8	42	23	0	700	Tencent	1	22	14	0
358	Jiangxi Copper	8	27	14	0	1	Cheung Kong	1	13	9	-2
494	Li & Fung	8	18	21	-1	19	Swire Pacific 'A'	1	11	0	0
1171	Yanzhou Coal	7	17	-9	-9	16	SHK Prop	1	12	5	-1
144	China Mer Hldgs	6	15	25	-1	2899	Zijin Mining	1	28	-3	-3
753	Air China	6	14	-2	-2	2883	China Oilfield	1	12	6	-1
916	Longyuan Power	6	4	-1	-1	3	HK & China Gas	0	-1	0	-1
1109	China Res Land	6	20	21	0	1088	China Shenhua	0	0	-5	-6
17	New World Dev	5	37	23	0	998	CITIC Bank	0	11	11	-1
388	HKEx	5	18	8	0	2	CLP Hldgs	0	-4	-8	-8
2388	BOC Hong Kong	5	17	18	0	3968	CM Bank	0	12	9	-1
883	CNOOC	5	14	11	0	291	China Resources	0	3	-1	-1
267	CITIC Pacific	5	15	8	0	939	CCB	0	15	11	-1
489	Dongfeng Group	4	11	17	-1	1299	AIA	0	10	6	-1
101	Hang Lung Prop	4	22	0	0	322	Tingyi	0	-6	5	-11
1066	Weigao	4	14	3	0	1044	Hengan Int'l	0	-4	0	-8
914	Anhui Conch	4	25	-4	-4	6	Power Assets	-1	-4	-7	-7
13	Hutchison	4	17	6	0	762	China Unicom	-1	-14	-13	-14
2338	Weichai Power	4	18	4	-2	1288	ABC	-1	14	5	-1
688	China Overseas	4	22	11	0	3988	Bank of China	-1	14	18	-1
5	HSBC Hldgs	4	15	3	0	151	Want Want	-2	-3	1	-12
836	China Resources Power	3	2	4	-6	3328	BOCOM	-2	14	6	-2
4	Wharf (Hldgs)	3	26	7	0	1398	ICBC	-2	13	5	-2
1898	China Coal	3	19	0	-1	2628	China Life	-2	20	-1	-2
2238	GAC	3	27	14	0	168	Tsingtao Brew	-2	-2	1	-9
293	Cathay Pac Air	3	18	15	0	728	China Telecom	-2	5	-9	-9
902	Huaneng Power	3	15	27	0	941	China Mobile	-2	1	3	-2
2601	China Pacific Insurance	2	25	2	0	386	Sinopec Corp	-3	5	14	-3
83	Sino Land	2	15	18	-2	168	Tsingtao Brew	-4	-2	2	-10
11	Hang Seng Bank	2	8	4	0						

GuocoCapital Ltd.
12/F, The Center
99 Queen's Road Central
Hong Kong
Tel: (852) 2218 2865
Fax: (852) 2285 3160
<http://www.guococap.com>

This report is for information only and is not to be construed as investment advice or as an offer to buy or sell securities. While the report is compiled using sources believed to be reliable, no assurance or guarantee is given regarding its accuracy or completeness. Neither GuocoCapital nor any other Guoco Group companies, (nor any employees or other persons connected with any of them) accepts any responsibility or liability arising from any use of this report. To the extent permitted under applicable law, the above-mentioned companies or individuals may have used the research materials before publication. However, it is hereby declared that neither GuocoCapital nor the writer, at the time of writing, has interest in any of the securities mentioned in this report.