

Major Market Indicators

	8 Feb	7 Feb	6 Feb
Mkt. Turn.(mn)	76,094	61,415	72,135
Stock Advances		461	678
Stock Declines		617	457
HSI	21,018	20,699	20,709
Change	+319	-11	-47
HSI Turn.(\$mn)	23,643	20,438	24,415
HSCEI	11,706	11,500	11,564
Change	+206	-65	-40
HSCEI Turn.(\$mn)	17,069	13,691	17,348

HSI Technical Indicators

10-days MA	20,575
50-days MA	19,079
250-days MA	21,033
14-days RSI	73.3
Secondary resistance	21,500
Primary resistance	21,033
Primary support	20,575
Secondary support	20,000

HSI Chart



Source: Reuters

HSCEI Technical Indicators

10-days MA	11,452
50-days MA	10,406
250-days MA	11,465
14-days RSI	70.0
Secondary resistance	12,000
Primary resistance	11,750
Primary support	11,000
Secondary support	10,500

HSCEI Chart



The Hang Seng Index is expected to trade at 20,800-21,200 today

Investors speculating that the progress of Greece Budget cut to accelerate, Asian stock market performed well which help HK stock market to open higher. A share market rose sharply in the afternoon which helped HK stock market to rise further. The Hang Seng Index soared 319 points to 21,018 while H share index jumped 206 points to 11,706. Market turnover rose to HK\$76.1bn. NDRC adjusted refined price upward which triggered downstream plays like Sinopec(0386.HK) and PetroChina(0857.HK) to rise 1.8% and 2.2% each. On the other hand, second and third liners are very active. Of which, the sport plays performance is good with Peak(1968.HK) and Anta(2020.HK) rose 12.4% and 14.5% each.

Given the lack of U.S. economic data Wednesday, as well as investors keep a close eye on Greece debt progress, US stock market traded within narrow range on early Wednesday. Later, as there are news saying that EU will hold ministry of finance meeting on Thursday, investors speculate that Greece issue will soon be solved. The Dow and the Nasdaq added 6 points (to 12,884) and 12 points (to 2,916) respectively. The Hong Kong stock market performed well recently. But whether the HSI could overcome the resistance at 250 Day SMA, it will depend on the China CPI to be released in the morning as well as A share trend.

Technical Analysis

The Hang Seng Index closed above the 21,000 level with a white candlestick, together with increasing turnover, market momentum is increasing. However, 9 Day RSI rose to 78, which reflected market is overbought. First resistance will be seen at 250 Day SMA(21,033) while second resistance is 21,500. On the other hand, first support will be seen at 10 Day SMA(20,575) and 20,000.

Home Appliance Sector: Latest Update

- Mainland media reported that Beijing municipal government announced measures that Beijing citizens could enjoy a Rmb100-300 subsidies if they purchase energy saving home appliance ahead of the end of the month.

HSI Futures

	8 Feb	7 Feb	6 Feb
Feb	21,123	20,781	20,661
Volume	69,829	71,832	65,761
Open interests	91,380	89,873	88,397
Mar	21,070	20,734	20,618
Volume	831	726	789
Open interests	6,108	6,043	5,953

HSCEI Futures

	8 Feb	7 Feb	6 Feb
Feb	11,747	11,570	11,533
Volume	50,735	43,663	39,604
Open interests	106,204	108,047	106,894
Mar	11,758	11,578	11,538
Volume	699	206	146
Open interests	4,978	4,546	4,567

Ten Most Active Stocks

Stock	Code	Chg	Close	Turn
		(\$)	(\$)	(\$mn)
ICBC	1398	+0.060	5.51	1,643
GOME	0493	+0.230	2.22	1,540
CCB	0939	+0.070	6.39	1,431
HSBC				
HOLDINGS	0005	+1.250	69.65	1,425
CHINA MOBILE	0941	+0.950	78.90	1,299
CNOOC	0883	+0.320	17.10	1,261
PETROCHINA	0857	+0.260	11.86	1,261
BANK OF CHINA	3988	+0.020	3.37	1,243
CHINA				
SHENHUA	1088	-0.550	35.20	1,088
CNBM	3323	+0.810	10.18	1,032

- Besides, mainland bank lower mortgage rate for first time buyers, while People Bank of China also said that it would satisfy first time buyers mortgage need, investors generally turned more positive on mainland property market outlook while related plays like cement and home appliance will also be benefit. Driven by the aforesaid two positive news, home appliance sector rose.
- Since it is widely expected new subsidy plan will be released in the coming months, home appliance sector is okay. Within the sector, benefit from the strong sales of 3D TV, and is just trading at 7x FY12 prospective P/E, Skyworth (0751.HK) is still our top pick.

China Auto Sector: Latest Update

- The mainland auto association said that January passenger car sales dropped 16.5% yoy to 1.17mn. However, it is believed that the drop is due to seasonal factor (CNY is at January this year), while the auto market is still okay.
- Besides, as CNY is at January, it is expected that February sales will become strong. The association expected February to see a 30% yoy sales growth which drove the auto sector to perform well yesterday.
- In fact, although we expect mainland auto sales could pick up from the low level of 5% annual growth in 2011, we believe that 2012 sales growth is capped at 10%. Since the sector P/E is trading at 10x or above, we believe that overall valuation is not attractive. Within the sector, our preference is Dongfeng(0489.HK) (strong track record) and GAC(2238.HK) (several new models to be launched).

Gome (0493.HK)

1. Company:

The principal activities of the Group are engaged in the development, operation and management of toll highways, expressways and bridges mainly in Guangdong Province, China.

2. Revenue breakdown:

Beijing, Shanghai, Guangzhou and Shenzhen accounted for 45% of the turnover.

3. Reasons:

3Q11 Earnings Growth Slow Down But Still Satisfactory: 3Q11 net profit growth slow down to 13%, together with improvement in gross margin, its performance is satisfactory.

Termination of property JV positive to share price: The listco has terminated its agreement to form a property JV with major shareholder. It will relieve investors concern which will be positive to share price.

Current valuation is much below its peers: Given its extensive retail network in China, as well as much earnings improvement seen in past 12 months, Gome is trading at 10x FY12 prospective P/E which is much below other retail plays.

4. Financial estimation and Analysts recommendation:

The estimated net profit for 2011 would be Rmb2.52bn, The earning per share of 2011 and 2012 would be RMB0.152 and RMB0.179 respectively.

RMB mn	FY10	FY11	FY12	FY13
Revenue	50,910	60,384	70,711	81,976
Net profit	1,962	2,518	2,955	3,508
EPS	0.127	0.152	0.179	0.217

Brokers	Rating	Target price	Report issue date
CCB	Outperform	2.5	02/07/12
Standard Chart	In line	2.3	02/04/12
DBS	Hold	2.08	01/27/12

5. Recommendation:

Target price: HK\$2.40, Stop Loss: HK\$1.90.

Anhui Conch (0914.HK)

6. Company:

The Group has built five super ten million tons of clinker base, including Tongling, Yingde, Chizhou, Zongyang and Wuhu Conch. Total production capacity reached 176mn tons which ranked first in China and second in the world.

7. Revenue breakdown:

China Eastern, Central, Southern and Western areas accounted for 33.7%, 40.7%, 18.4% and 7.2% of total turnover.

8. Reasons:

Parent Company increased A shares holding: Its parent company acquired 3.21mn A shares of Anhui Conch which helped to boost investors confidence..

Water Treatment Construction Boost Cement demand: Stable demand from economic housing and increasing demand from water treatment infrastructure construction would help to boost cement demand

P/E of 7.6x which reflected unfavorable factors: Investors concern Anhui Conch cannot sustain its high margin seen in 1H11. However, trading at 9.6x FY11 P/E, it has reflected the unfavorable factors..

9. Financial estimation and Analysts recommendation:

The estimated net profit for 2010 would be Rmb123.0bn. The earning per share of 2011 and 2012 would be RMB6.101 and RMB6.247 respectively.

RMB mn	FY10	FY11	FY12	FY13	Brokers	Rating	Target price	Report issue date
Revenue	34,508	50,569	60,620	70,443	Sinopac	Buy	31.92	02/07/12
Net profit	6,163	12,583	14,933	17,672	Citic Securities	Buy	26.90	01/13/12
EPS	1.160	2.443	2.891	3.363	Citi	Buy	27.50	01/12/12

10. Recommendation:

Target price: HK\$30.00, Stop Loss:HK\$25.00.

KGI Quarterly Stocks Pick Data

Code	Company	Last close price (HK\$)	2011 EPS (HK\$)	2012 EPS(HK\$)	2011 P/E	2012 P/E
38	First Tractor	8.97	0.65	0.84	13.9	10.7
135	Kunlun Energy	12.80	0.74	0.91	17.3	14.0
270	Guangdong	4.73	0.42	0.46	11.2	10.4
316	OOIL	49.50	2.01	2.08	24.6	23.8
338	Shanghai Pechem	3.13	0.33	0.40	9.4	7.8
392	Beijing Ent	45.25	2.51	2.93	18.0	15.4
525	Guangdong	2.94	0.31	0.31	9.4	9.4
688	China Overseas	15.24	1.54	1.70	9.9	8.9
728	China Telecom	4.35	0.27	0.31	16.1	14.0
751	Skyworthdigital	3.81	0.46	0.52	8.3	7.3
823	Link REIT	28.30	1.27	1.36	22.2	20.8
857	Petrochina	11.86	0.95	1.05	12.4	11.3
880	SJM	14.46	1.00	1.17	1.2	12.4
1171	Yanzhou	19.58	0.59	0.72	33.2	27.2
1193	China Res	11.38	0.50	0.55	23.0	20.7
1288	ABC	3.90	0.72	0.82	5.4	4.7
1299	AIA	26.10	1.17	1.65	22.3	15.8
1828	DCH Holdings	10.32	0.83	0.97	12.5	10.6
2238	GAC group	8.40	0.81	0.97	10.4	8.7
2388	BOC HK	21.50	1.82	1.75	11.8	12.3

Economic Calendar

Date	Country	Event
Feb 9	Thur	U.S. 02/04 Initial Claims
Feb 9	Thur	U.S. 01/28 Continuing Claims
Feb 10	Fri	U.S. Dec Trade Balance
Feb 10	Fri	U.S. Feb Mich Sentiment

Result / Dividend Announcement Schedule

Date	Stock	Code	Event	Forecast Earning	Actual earning (per share)
09/02/2012	Thur	Lenovo Group	0992.HK	Results	
09/02/2012	Thur	Manulife-S	0945.HK	Final Results	

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