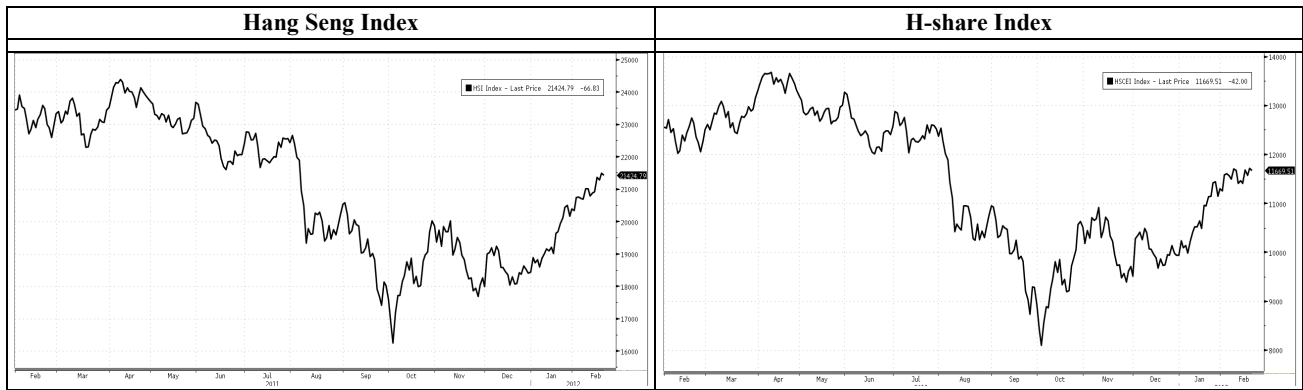




HONG KONG STOCK MARKET SUMMARY



Indexes Performance

20/02/2012	PER(x)	Close	Chg. (%)	Net Chg.	Day High	Day Low		(HK\$m)	Chg. (%)
Hang Seng Index	9.71	21,424.79	-0.31%	-66.83	21,760.34	21,393.48	Main board turnover	70,547	6.42%
HSI-Finance	9.63	29,662.13	0.49%	145.67	30,044.96	29,634.53	HSI stocks	23,513	5.54%
HSI-Comm & Ind	10.09	12,626.75	-1.29%	-165.46	12,910.72	12,589.07	HSCEI stocks	18,413	23.83%
HSI-Properties	7.21	28,354.12	-0.09%	-25.91	28,855.51	28,296.38	Derivative warrants	9,521	-6.33%
HSI-Utilities	16.79	45,545.34	-0.46%	-208.29	45,832.93	45,498.32	Callable Bull/Bear	8,767	16.64%
HSI Volatility Index	-	23.84	4.79%	1.09	24.16	22.88	Short-selling	4,973	0.99%

20/02/2012	PER(x)	Close	Chg. (%)	20/02/2012	PER(x)	Close	Chg. (%)
HS Composite Index	9.91	2,976.11	-0.12%	HSCI-Financials	9.66	3,195.56	0.53%
Red Chip Index	11.71	4,213.48	-0.28%	HSCI-Services	13.99	3,995.71	0.55%
HS H-share Index	9.71	11,669.51	-0.36%	HSCI-Telecom	12.21	1,760.72	-1.28%
H-share Financial Index	9.06	15,465.57	0.56%	HSCI-Prop & con	6.56	2,836.64	0.75%
				HSCI-Utilities	14.93	5,573.78	-0.48%
				HSCI-Energy	10.46	15,035.59	-1.95%
				HSCI-Materials	10.07	7,998.93	-0.04%
				HSCI-Industrial goods	10.34	1,296.44	-0.48%
				HSCI-Consumer goods	16.70	4,698.24	-0.33%
				HSCI-I.T.	21.13	2,456.47	-1.23%
				HSCI-Conglomerates	5.03	2,314.43	-0.26%

Futures Market

	Close	Net change	Chg. (%)	Day High	Day Low	Volume	O/I
HSI Futures							
HSI Feb 12	21,363	-81	-0.38%	21,764	21,355	70,305	90,971
HSI Mar 12	21,316	-82	-0.38%	21,711	21,310	2,603	10,655
HS CEI Futures							
HSCEI Feb 12	11,638	-65	-0.56%	11,945	11,629	51,344	112,136
HSCEI Mar 12	11,646	-63	-0.54%	11,948	11,640	2,793	10,796

HK Stocks in the U.S.

Code	Stock	In US (HK\$)	In HK (HK\$)	Chg.	Code	Stock	In US (HK\$)	In HK (HK\$)	Chg.
5	HSBC HOLDINGS	71.04	70.80	0.3%	857	PETROCHINA	11.66	11.50	1.4%
2888	STANCHART	199.97	201.20	-0.6%	386	SINOPEC CORP	9.36	8.85	5.7%
945	MANULIFE	98.32	98.90	-0.6%	883	CNOOC	18.05	17.86	1.1%
2628	CHINA LIFE	23.51	23.85	-1.4%	338	SHANGHAI PECEM	3.09	3.04	1.8%
941	CHINA MOBILE	82.07	80.65	1.8%	670	CHINA EAST AIR	3.00	3.13	-4.0%
762	CHINA UNICOM	14.41	14.18	1.6%	1055	CHINA SOUTH AIR	4.04	4.03	0.2%
728	CHINA TELCOM	4.46	4.42	1.0%	902	HUANENG POWER	5.05	5.07	-0.3%
1137	CITY TELECOM	4.95	4.86	1.8%	1171	YANZHOU COAL	19.40	19.08	1.7%
700	TENCENT	197.41	194.50	1.5%	2600	CHALCO	4.12	4.16	-1.0%
992	LENOVO GROUP	7.02	6.91	1.6%	525	GUANGSHEN RAIL	3.06	3.04	0.8%



Event: China plans to add 500 drugs to its national EDL(Essential Drug List), expanding the essential drugs to 800 from 307. We expect the impact on Sinopharm(1099) is limited as the sales from drugs in the EDL only accounted for 10% of its total revenue. With a diversified drugs portfolio of 22,000 products offerings, implement of 500 drugs in EDL only account for 2% of its total portfolio. We reiterate “buy ”with target price HK\$27.9, which represents 22x FY 2012 PE.

Our comment:

- China implemented a series of drug price cuts last year. The whole pharmaceutical industry were under pressure as the market expected the gross profit margin of the industry will be eroded in view of the price cut. The expansion of EDL will further raise market concern on the pharmaceutical industry.
- We expect the new EDL list will be rolled out later this year and the upstream manufacturer with high exposure to new EDL will have negative impact. The impact to Sinopharm(1099) is limited. As we discussed with management, the sales from drugs in the EDL only account for 10% of its total revenue. With a diversified drugs portfolio of 22,000 products offerings, implement of 500 drugs in EDL only account for 2% of its total portfolio.
- Sinopharm has signed compensatory agreement with its suppliers to compensate them the difference if the products is in the drug price cutting list. So even if more drugs are included in EDL and face price cut in the future, Sinopharm will exercise its strong bargaining power with manufacturers to maintain its gross profit margin.

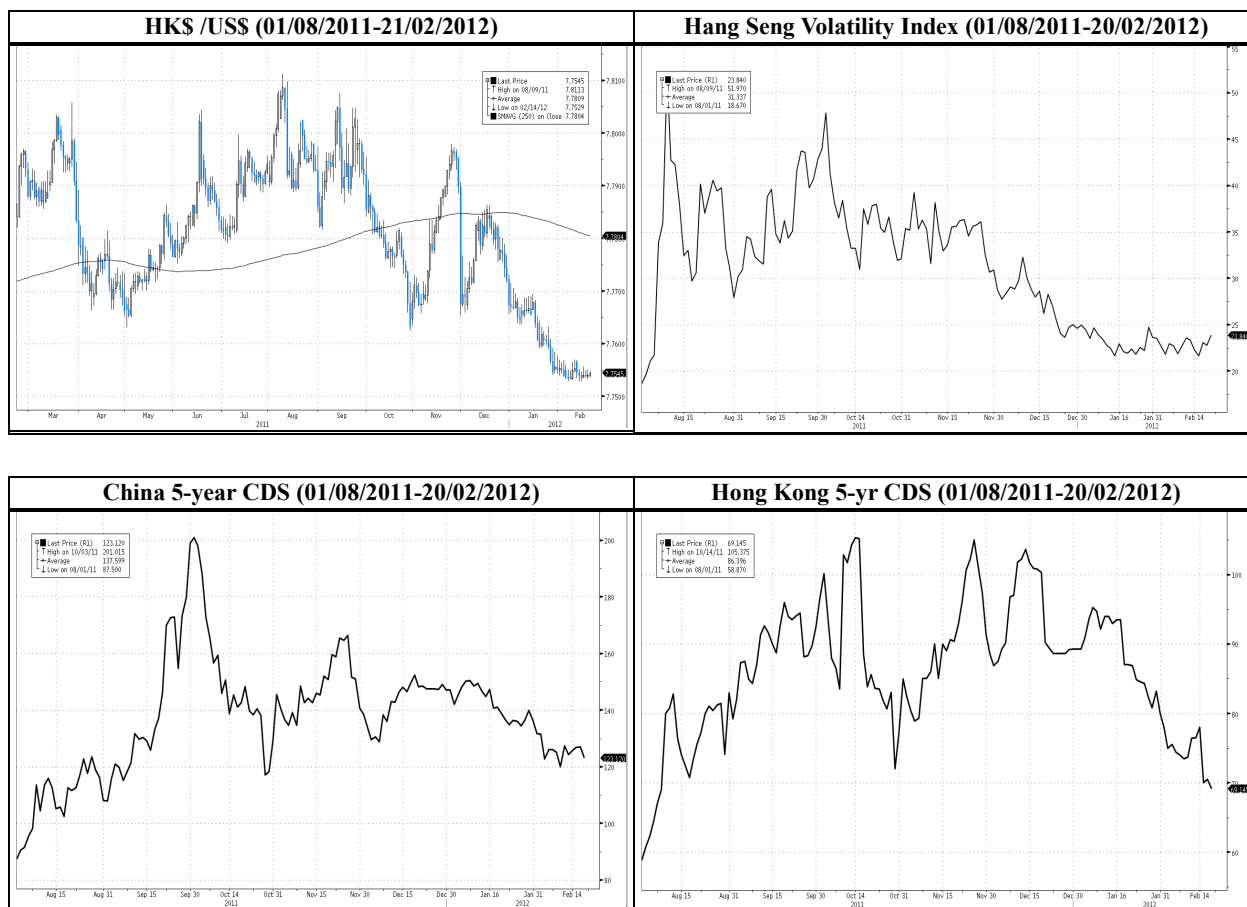
Investment recommendation:

The stock is trading at 22x FY 2011 PE , which is 51% lower than its historical average PE of 45x. We reiterate “buy ”with target price of HK\$27.9, which represents 22x FY 2012 PE.

Analyst: Judy Hu

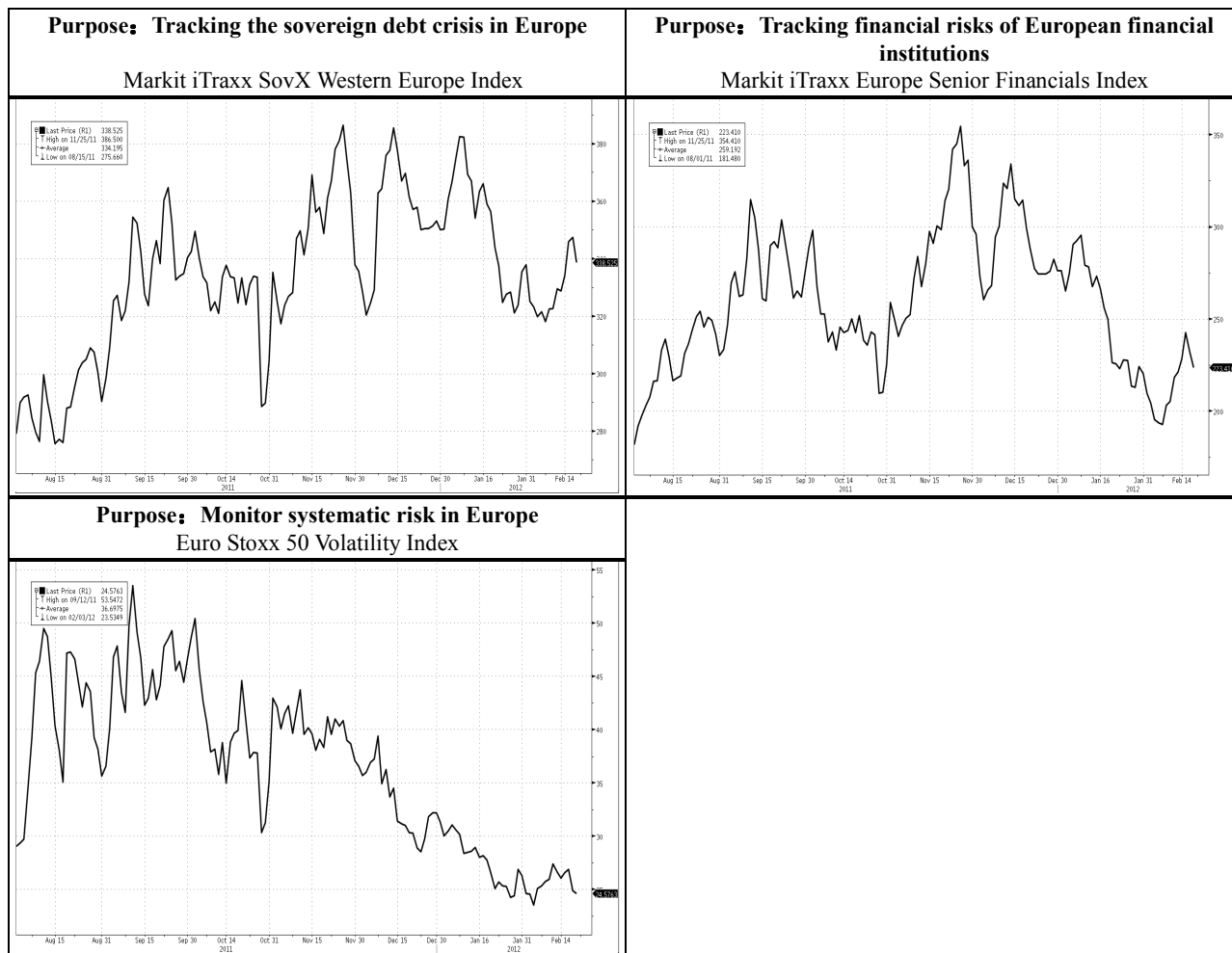
HK stock market risks monitor

China 5-year CDS and HK 5-year CDS dropped on 20 Feb. The HK\$ traded at 7.7544 against US\$ in the morning of 21 Feb.



Europe debt crisis monitor (Update to 20/02/2012)

Markit iTraxx SovX Western Europe Index which tracks CDS of 15 Western European raised slightly while the Markit iTraxx Europe Senior Financials Index which tracks CDS of major financial institutions in Europe dropped on 20Feb.



Remarks: Indices indicate the default risks of sovereign debt and debts of financial institutions. Increase in index implies risk of debt crisis is rising and vice versa.

Source: Bloomberg, Markit



SHORT SELLING ACTIVITIES (20/02/2012)

Code	Stock	Price (HK\$)	Price Chg	Short sell ratio	Notes:
2238	GUANGZHOU AUTO-H	8.36	1.09%	42%	The main short selling sector: • Materials- Angang Steel(347),Jiangxi Copper (358)
1099	SINOPHARM-H	20.15	-3.59%	39%	
1186	CHINA RAIL CN-H	6.07	-2.10%	38%	
966	CHINA TAIPING IN	18.2	4.71%	34%	
347	ANGANG STEEL-H	6.11	2.00%	33%	
168	TSINGTAO BREW-H	40.80	-0.49%	27%	
914	ANHUI CONCH-H	27.65	1.28%	25%	
494	LI & FUNG LTD	17.98	1.12%	24%	
902	HUANENG POWER-H	5.07	-0.59%	23%	
358	JIANGXI COPPER-H	21.40	0.23%	22%	
293	CATHAY PAC AIR	15.56	-2.38%	21%	
1	CHEUNG KONG	113.90	0.18%	21%	
688	CHINA OVERSEAS	15.98	1.27%	21%	
3	HONG KONG CHINA GS	18.98	0.32%	20%	
19	SWIRE PACIFIC-A	87.85	-1.13%	20%	

Remark: Ranked by top 15 short-selling turnover to total stock turnover ratios among Hang Seng Index, Red-chip index or H-share index. Short sell ratio = Short selling transaction value of the stock/total transaction value of the stock

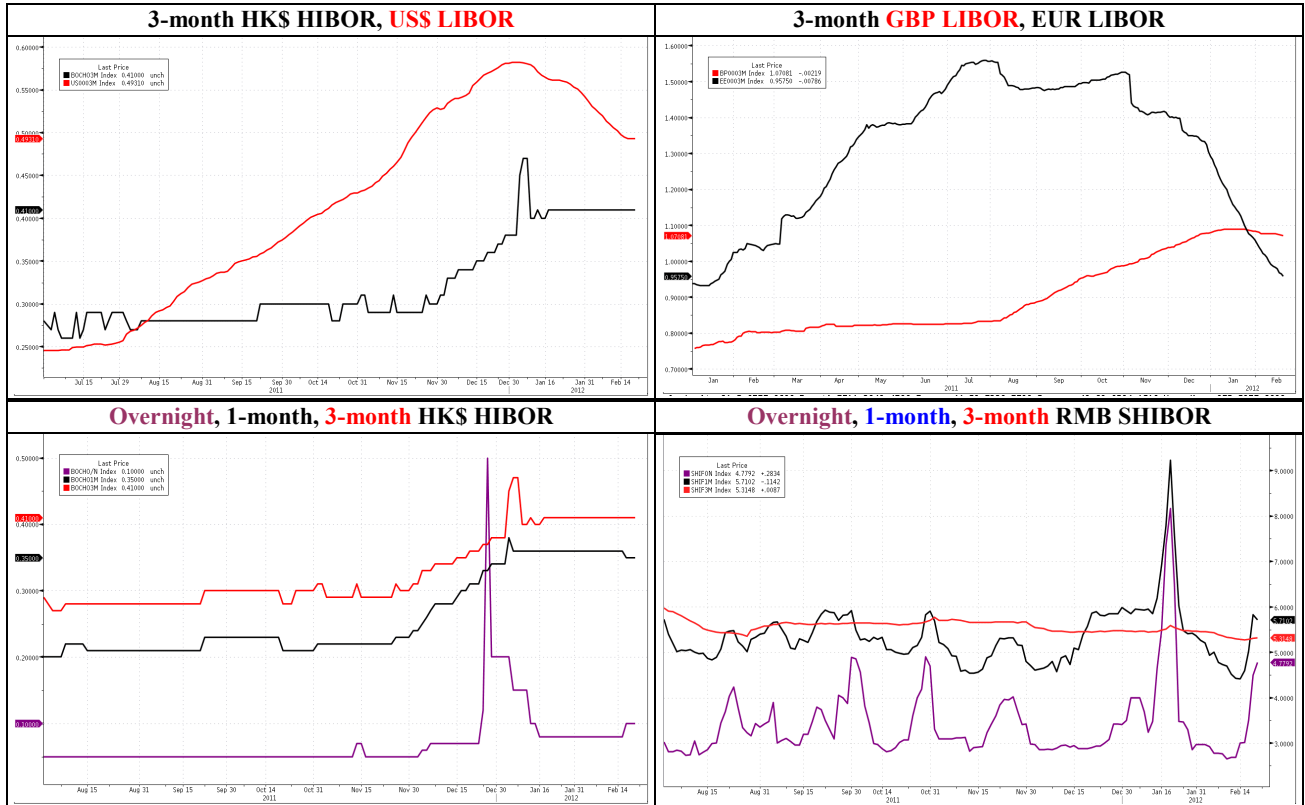
Top 10 Percentage Gainers and Losers (20/02/2012)

Hang Seng Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	17	NEW WORLD DEV	10.34	1.37%	386	CHINA PETROLEU-H	8.85	-5.45%	
2	1199	COSCO PAC LTD	12.76	1.27%	836	CHINA RES POWER	15.1	-4.55%	
3	688	CHINA OVERSEAS	15.98	1.27%	330	ESPRIT HLDGS	14.4	-4.13%	
4	322	TINGYI HLDG CO	22.30	1.13%	293	CATHAY PAC AIR	15.56	-2.38%	
5	494	LI & FUNG LTD	17.98	1.12%	267	CITIC PACIFIC	14.34	-2.32%	
6	939	CHINA CONST BA-H	6.54	1.08%	4	WHARF HLDG	48.2	-1.93%	
7	2318	PING AN INSURA-H	66.75	1.06%	700	TENCENT HOLDINGS	194.5	-1.77%	
8	2628	CHINA LIFE INS-H	23.85	1.06%	12	HENDERSON LAND D	47.85	-1.75%	
9	1109	CHINA RES LAND	14.94	0.95%	762	CHINA UNICOM HON	14.18	-1.66%	
10	2388	BOC HONG KONG HO	22.05	0.92%	1898	CHINA COAL ENE-H	10.14	-1.55%	

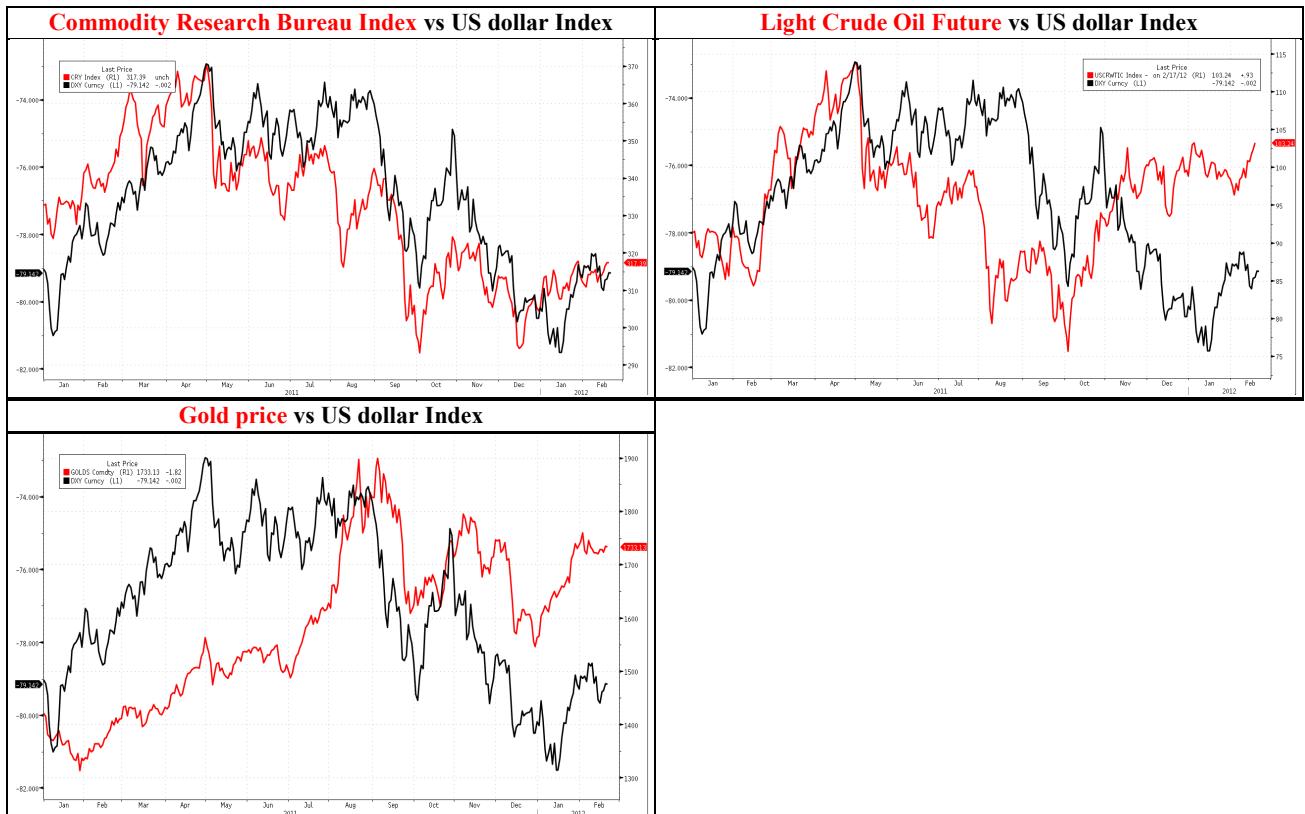
H-share Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	3323	CHINA NATL BDG-H	10.96	3.20%	386	CHINA PETROLEU-H	8.85	-5.45%	
2	1157	ZOOMLION HEAVY-H	11.72	2.45%	1099	SINOPHARM-H	20.15	-3.59%	
3	2338	WEICHAI POWER-H	45.35	1.91%	2883	CHINA OILFIELD-H	13.20	-2.80%	
4	2601	CHINA PACIFIC-H	27.45	1.86%	390	CHINA RAIL GR-H	3.17	-2.76%	
5	914	ANHUI CONCH-H	27.65	1.28%	763	ZTE CORP-H	22.65	-2.16%	
6	1919	CHINA COSCO HO-H	5.19	1.17%	1186	CHINA RAIL CN-H	6.07	-2.10%	
7	2238	GUANGZHOU AUTO-H	8.36	1.09%	1171	YANZHOU COAL-H	19.08	-1.95%	
8	939	CHINA CONST BA-H	6.54	1.08%	2899	ZIJIN MINING-H	3.53	-1.94%	
9	2318	PING AN INSURA-H	66.75	1.06%	753	AIR CHINA LTD-H	6.14	-1.92%	
10	2628	CHINA LIFE INS-H	23.85	1.06%	728	CHINA TELECOM-H	4.42	-1.56%	

Red Chin Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	966	CHINA TAIPING IN	18.24	4.71%	836	CHINA RES POWER	15.10	-4.55%	
2	817	FRANSHION PROP	1.97	4.23%	3360	FAR EAST HORIZON	6.38	-3.04%	
3	1313	CHINA RES CEMENT	6.91	3.91%	267	CITIC PACIFIC	14.34	-2.32%	
4	119	POLY HONG KONG	4.50	2.97%	762	CHINA UNICOM HON	14.18	-1.66%	
5	123	YUEXIU PROPERTY	1.51	2.03%	606	CHINA AGRI-INDUS	6.26	-1.42%	
6	363	SHANG INDUS HLDG	27.30	1.87%	941	CHINA MOBILE	80.65	-1.35%	
7	392	BEIJING ENTERPRI	49.05	1.66%	883	CNOOC LTD	17.86	-1.33%	
8	1199	COSCO PAC LTD	12.76	1.27%	291	CHINA RES ENTERP	29.00	-1.19%	
9	688	CHINA OVERSEAS	15.98	1.27%	992	LENOVO GROUP LTD	6.91	-1.14%	
10	3808	SINOTRUK HK LTD	5.79	1.22%	144	CHINA MERCHANT	28.20	-0.88%	

Interest Rates Monitor



Commodity Monitor





Appendix: H-Share and A-share Price Comparison Table (20/02/2012)

H-share Code	A-share Code	Stock Name	H-share		A-share		H-share premium		2010 PER	2011 PER	2012 PER	2011 P/B
			Price (HK\$)	price chg (%)	Price (RMB)	price chg (%)	(discount) to A-share					
939	601939	CCB	6.54	1.1%	4.85	-0.4%	9.5%	8.16	7.87	7.13	1.72	
1398	601398	ICBC	5.56	0.2%	4.40	0.2%	2.6%	7.85	7.70	6.92	1.75	
1288	601288	ABC	3.77	0.0%	2.72	0.7%	12.5%	7.89	7.71	6.61	1.60	
3988	601988	BANK OF CHINA	3.35	0.0%	3.03	0.3%	-10.2%	6.32	6.31	5.79	1.13	
3328	601328	BANKCOMM	6.38	-0.6%	4.95	0.4%	4.6%	7.13	6.41	6.00	1.30	
3968	600036	CM BANK	17.68	-0.3%	12.69	-0.2%	13.1%	9.97	8.98	8.36	2.13	
998	601998	CITIC BANK	4.99	0.6%	4.42	0.2%	-8.3%	6.33	6.09	5.98	1.24	
1988	600016	MINSHENG BANK	7.55	0.3%	6.47	0.5%	-5.3%	6.32	6.37	5.91	1.34	
2628	601628	CHINA LIFE	23.85	1.1%	18.63	0.2%	3.9%	19.17	22.57	16.48	2.78	
2318	601318	PING AN	66.75	1.1%	40.09	0.9%	35.2%	20.25	21.30	15.99	3.19	
2601	601601	CPIC	27.45	1.9%	21.01	0.9%	6.1%	22.29	19.95	15.76	2.39	
1336	601336	NEW CHINA LIFE	35.40	1.0%	29.85	0.6%	-3.7%	15.37	26.01	21.21	-	
6030	600030	CITIC SEC	16.98	3.0%	11.16	0.2%	23.5%	12.09	13.08	21.31	1.95	
857	601857	PETROCHINA	11.50	-1.4%	10.29	1.1%	-9.3%	12.17	12.33	10.76	1.75	
386	600028	SINOPEC CORP	8.85	-5.4%	7.60	-0.1%	-5.5%	8.04	8.25	7.40	1.38	
338	600688	SHANGHAI PEICHEM	3.04	-2.6%	6.24	-0.6%	-60.4%	-	10.78	8.94	0.97	
1033	600871	YIZHENG CHEM	2.20	-2.7%	7.41	0.1%	-75.9%	5.16	7.01	7.83	0.82	
2883	601808	CHINA OILFIELD	13.20	-2.8%	16.49	0.1%	-35.0%	11.97	11.61	10.05	1.81	
568	002490	SHANDONG MOLONG	5.32	0.4%	10.66	0.1%	-59.5%	4.97	5.08	6.97	1.07	
1088	601088	SHENHUA ENERGY	35.55	-1.4%	27.22	0.5%	6.0%	13.80	12.48	11.18	2.83	
1898	601898	CHINA COAL	10.14	-1.6%	9.71	1.6%	-15.2%	14.44	10.75	9.60	1.41	
1171	600188	YANZHOU COAL	19.08	-2.0%	24.84	-0.6%	-37.6%	6.48	8.59	8.34	1.91	
902	600011	HUANENG POWER	5.07	-0.6%	5.40	-1.3%	-23.8%	20.96	32.93	12.82	1.11	
991	601991	DATANG POWER	2.87	-4.0%	5.34	-0.6%	-56.4%	11.15	17.39	10.64	0.81	
1071	600027	HUADIAN POWER	1.91	-0.5%	3.31	-0.3%	-53.2%	41.58	-	10.34	0.64	
670	600115	CHINA EAST AIR	3.13	4.0%	4.13	0.0%	-38.5%	5.29	5.98	6.52	1.64	
1055	600029	CHINA SOUTH AIR	4.03	-0.2%	5.10	-0.4%	-35.8%	4.60	6.09	7.07	1.08	
753	601111	AIR CHINA	6.14	-1.9%	6.67	-0.3%	-25.3%	5.17	7.43	7.98	1.47	
390	601390	CHINA RAILWAY	3.17	-2.8%	2.70	0.0%	-4.7%	8.19	9.94	8.97	0.81	
1186	601186	CHINA RAIL CONS	6.07	-2.1%	4.33	-0.2%	13.8%	13.67	8.68	8.41	1.01	
1766	601766	CSR	5.93	-1.3%	4.81	-0.2%	0.1%	16.60	15.58	14.12	2.74	
525	601333	GUANGSHEN RAIL	3.04	0.7%	3.46	0.0%	-28.7%	9.83	9.83	10.50	0.72	
177	600377	JIANGSU EXPRESS	7.96	0.0%	5.88	-0.2%	9.9%	12.85	12.62	11.71	1.91	
548	600548	SHENZHEN EXPRESS	3.43	-1.7%	4.09	-0.2%	-31.9%	8.22	7.98	7.33	0.70	
995	600012	ANHUI EXPRESSWAY	4.86	-0.8%	4.37	0.2%	-9.7%	7.57	7.47	6.86	1.10	
107	601107	SICHUAN EXPRESS	3.63	-0.5%	3.86	-0.3%	-23.6%	8.22	7.50	7.03	1.05	
1065	600874	TIANJIN CAPITAL	2.16	0.0%	5.77	0.0%	-69.6%	8.81	9.09	9.09	0.73	
1211	002594	BYD COMPANY	24.85	-0.2%	25.60	-1.9%	-21.2%	122.36	50.70	38.95	2.36	
2333	601633	GREATWALL MOTOR	14.86	2.5%	13.59	1.0%	-11.2%	9.08	10.15	9.14	2.94	
2338	000338	WEICHAI POWER	45.35	1.9%	34.20	-1.1%	7.7%	8.71	10.06	9.27	2.91	
1157	000157	ZOOMLION	11.72	2.4%	9.19	0.8%	3.5%	8.28	9.57	8.92	1.76	
187	600860	BEIREN PRINTING	1.79	0.6%	4.70	-1.7%	-69.1%	10.60	-	-	0.81	
300	600806	JIAODA HIGHTECH	2.70	0.0%	6.67	0.5%	-67.1%	8.38	3.32	2.64	0.84	
42	000585	NE ELECTRIC	0.92	1.1%	3.00	0.3%	-75.1%	31.65	-	-	1.96	
1072	600875	DONGFANG ELEC	21.90	-4.4%	23.46	-1.2%	-24.2%	11.42	11.33	10.21	2.90	
2727	600627	SH ELECTRIC	4.13	-3.7%	5.52	-0.9%	-39.3%	14.25	13.41	11.85	1.55	
2208	002202	GOLDWIND	5.00	-2.0%	8.58	-0.8%	-52.7%	4.10	13.86	14.40	0.82	
350	000666	JINGWEI TEXTILE	4.55	3.4%	9.83	2.9%	-62.4%	5.16	-	-	0.67	
168	600600	TSINGTAO BREW	40.80	-0.5%	32.87	-1.7%	0.8%	23.53	26.50	22.16	4.32	
719	000756	SHANDONG XINHUA	2.26	-2.2%	5.65	0.2%	-67.5%	8.31	-	-	0.49	
874	600332	GUANGZHOU PHAR	6.07	0.0%	-	-	-	13.77	12.32	10.55	1.09	



2607	601607	SH PHARMA	14.50	0.0%	12.19	0.1%	-3.4%	17.06	15.70	14.41	2.57
1618	601618	MCC	2.09	-0.5%	2.72	0.0%	-37.6%	6.53	7.44	6.22	0.70
347	000898	ANGANG STEEL	6.11	2.0%	4.80	0.2%	3.3%	-	-	37.02	0.67
323	600808	MAANSHAN IRON	2.71	0.4%	2.68	0.4%	-17.9%	45.75	64.72	21.36	0.62
1053	601005	CHONGQING IRON	1.37	1.5%	3.15	0.3%	-64.7%	84.49	74.16	33.71	0.35
2600	601600	CHALCO	4.16	0.2%	7.24	0.1%	-53.3%	68.51	56.29	80.42	0.88
358	600362	JIANGXI COPPER	21.40	0.2%	26.50	0.0%	-34.4%	8.23	8.15	8.24	1.59
2899	601899	ZIJIN MINING	3.53	-1.9%	4.55	1.6%	-37.0%	12.01	9.88	8.33	2.70
914	600585	ANHUI CONCH	27.65	1.3%	17.21	0.9%	30.4%	11.49	9.92	10.13	2.98
2009	601992	BBMG	7.19	4.5%	8.85	0.6%	-34.0%	8.34	6.70	5.86	1.40
588	601588	BEIJING N STAR	1.60	5.3%	2.93	0.7%	-55.7%	3.20	9.99	-	0.32
763	000063	ZTE	22.65	-2.2%	16.43	-0.4%	11.9%	18.80	19.99	16.05	2.29
553	600775	NANJING PANDA	1.70	1.8%	6.00	0.5%	-77.0%	16.83	-	-	0.60
317	600685	GUANGZHOU SHIP	7.35	-0.3%	16.63	-1.2%	-64.1%	6.11	5.82	5.39	0.99
1919	601919	CHINA COSCO	5.19	1.2%	5.60	0.4%	-24.8%	65.74	-	-	0.99
2866	601866	CSCL	2.43	4.7%	2.86	0.4%	-31.0%	9.58	-	-	0.81
1138	600026	CHINA SHIP DEV	6.15	2.5%	6.46	0.2%	-22.7%	11.95	16.59	15.32	0.75
2880	601880	DALIAN PORT	2.29	0.4%	2.80	0.0%	-33.6%	9.68	10.87	9.58	0.67
921	000921	HISENSE KELON	1.83	2.2%	4.39	1.4%	-66.2%	3.50	5.94	4.95	2.44
1108	600876	LUOYANG GLASS	1.97	-3.0%	7.08	-2.2%	-77.4%	5.05	-	-	4.92
1812	000488	CHENMING PAPER	4.08	-0.2%	5.17	0.4%	-35.9%	5.71	5.79	4.49	0.52

Source: Bloomberg

Analyst Certification and Disclosure

Analyst Certification

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