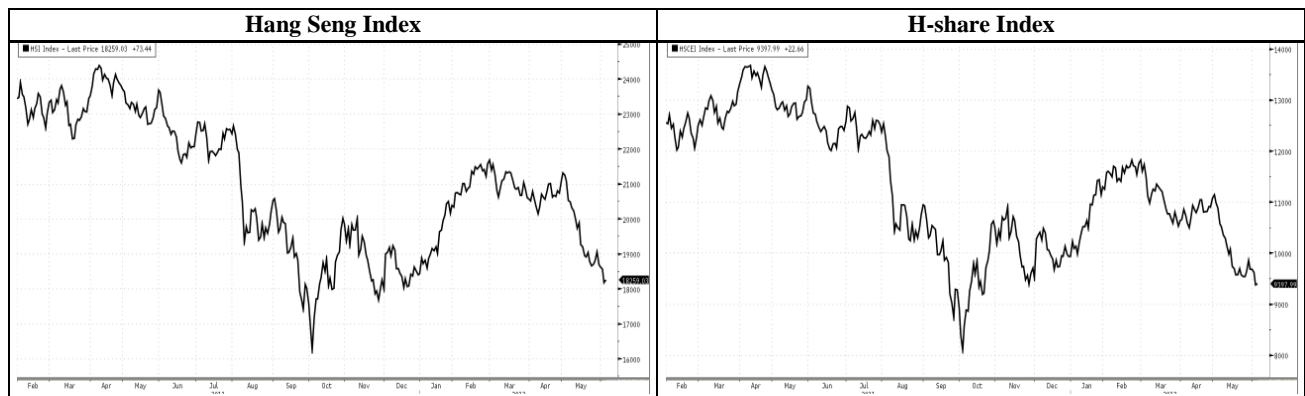




HONG KONG STOCK MARKET SUMMARY



Indexes Performance

05/06/2012	PER(x)	Close	Chg. (%)	Net Chg.	Day High	Day Low		(HK\$m)	Chg. (%)
Hang Seng Index	8.88	18,259.03	0.40%	73.44	18,412.02	18,223.13	Main board turnover	39,744	-23.16%
HSI-Finance	8.65	25,029.54	0.87%	215.90	25,188.92	24,957.76	HSI stocks	14,516	-29.67%
HSI-Comm & Ind	9.66	10,885.62	-0.06%	-6.85	11,032.23	10,874.03	HSCEI stocks	9,500	-26.26%
HSI-Properties	5.77	22,466.38	0.19%	42.49	22,827.83	22,409.01	Derivative warrants	6,984	8.59%
HSI-Utilities	16.54	44,079.84	0.10%	42.96	44,201.41	43,886.30	Callable Bull/Bear	6,556	-14.48%
HSI Volatility Index	-	29.67	-5.51%	-1.73	29.82	28.65	Short-selling	3,380	-39.54%

05/06/2012	PER(x)	Close	Chg. (%)	05/06/2012	Close	Chg. (%)
HS Composite Index	-	2,510.98	0.34%	HSCI-Financials	2,680.97	0.81%
Red Chip Index	10.14	3,553.62	-0.39%	HSCI-Services	3,289.12	0.57%
HS H-share Index	7.93	9,397.99	0.24%	HSCI-Telecom	1,597.83	-0.10%
H-share Financial Index	7.31	12,555.86	0.58%	HSCI-Prop & con	2,330.92	0.21%
				HSCI-Utilities	5,290.69	0.23%
				HSCI-Energy	11,554.24	-0.72%
				HSCI-Materials	5,775.53	-0.33%
				HSCI-Industrial goods	1,035.67	-0.34%
				HSCI-Consumer goods	4,128.84	0.73%
				HSCI-I.T.	2,386.94	0.14%
				HSCI-Conglomerates	1,919.27	-0.35%

Futures Market

	Close	Net change	Chg.(%)	Day High	Day Low	Volume	O/I
HSI Futures							
HSI Jun 12	18,109	165	0.92%	18,210	18,014	68,409	112,159
HSI July 12	18,110	165	0.92%	18,205	18,022	1,057	2,539
HS CEI Futures							
HSCEI Jun 12	9,226	95	1.04%	9,300	9,190	35,305	119,300
HSCEI July 12	9,228	105	1.15%	9,287	9,187	138	1,052

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	61.15	60.35	1.3%	857	PETROCHINA	9.70	9.65	0.5%
2888	STANCHART	153.31	155.40	-1.3%	386	SINOPEC CORP	6.87	6.80	1.1%
945	MANULIFE	80.30	79.30	1.3%	883	CNOOC	13.49	13.28	1.5%
2628	CHINA LIFE	17.31	17.08	1.4%	338	SHANGHAI PEICHEM	2.15	2.13	1.1%
941	CHINA MOBILE	77.32	76.70	0.8%	670	CHINA EAST AIR	2.30	2.27	1.2%
762	CHINA UNICOM	10.23	10.08	1.4%	1055	CHINA SOUTH AIR	3.43	3.48	-1.5%
728	CHINA TELCOM	3.33	3.31	0.5%	902	HUANENG POWER	5.04	5.07	-0.6%
1137	CITY TELECOM	4.23	4.28	-1.2%	1171	YANZHOU COAL	12.03	11.82	1.7%
700	TENCENT	209.40	208.40	0.5%	2600	CHALCO	3.10	3.09	0.3%
992	LENOVO GROUP	6.52	6.53	-0.2%	525	GUANGSHEN RAIL	2.46	2.45	0.4%

Event: We see a short-term trading opportunity on KWG (1813; HK\$4.59; Cum-div; est 2012 PE 5.7x; Hold; TP HK\$5.65). The stock saw downside support on 5.9% final dividend yield (@0.8121Rmb/HK\$). In addition, the softening policy stance is building up speculation that upgraders, which KWG are mainly targeting, will benefit from the further relaxation for self-use purchase.

Comments:

- Sales in Jan-May disappointed:** Although sales in May alone saw slight improvement, the Jan-May performance was disappointing. KWG realized contracted sales of Rmb1.11bn in May, representing 9.6%MoM surge or 9.4%YoY increase. The first five months sales totaled Rmb4.15bn, dropping 24.9%YoY, the second worst performance in our 16 comparable peers. We are of view that its expertise in high-end market is hindered under home purchase restriction and relatively high land cost (accounting for 20% of ASP) is constraining its pricing flexibility. These two factors will lead to its underperformance for 2012 sales (Details please refer to initial report dated on 30 April).
- Later than peers ex div date supporting short term price:** With most of China property developers having excluded their final dividends (i.e. China Overseas(688), Evergrande(3333),Sunac(1918), C C Land(1224)), the dividend preference investors will rotate to KWG. The group will pay out DPS of Rmb0.22, representing a dividend yield of 5.9%. It ex div date is on 12 June.
- Speculate to benefit from further policy easing:** Government didn't deny stimulus measures of Yangzhou, Jiangsu Province in early May, providing subsidies to homebuyers of renovated unites. We hold view that the policy curb on investment demand retain while more fine-tuned polices are introduced to help end users. Markets are building up speculation that, upgraders, the other part of genuine demand, will most likely be the second segment benefiting from policy relaxation. KWG, with 75% of product portfolio targeting this segment, will be one of key beneficiary.



Analyst: Vivian Li

HK stock market risks monitor

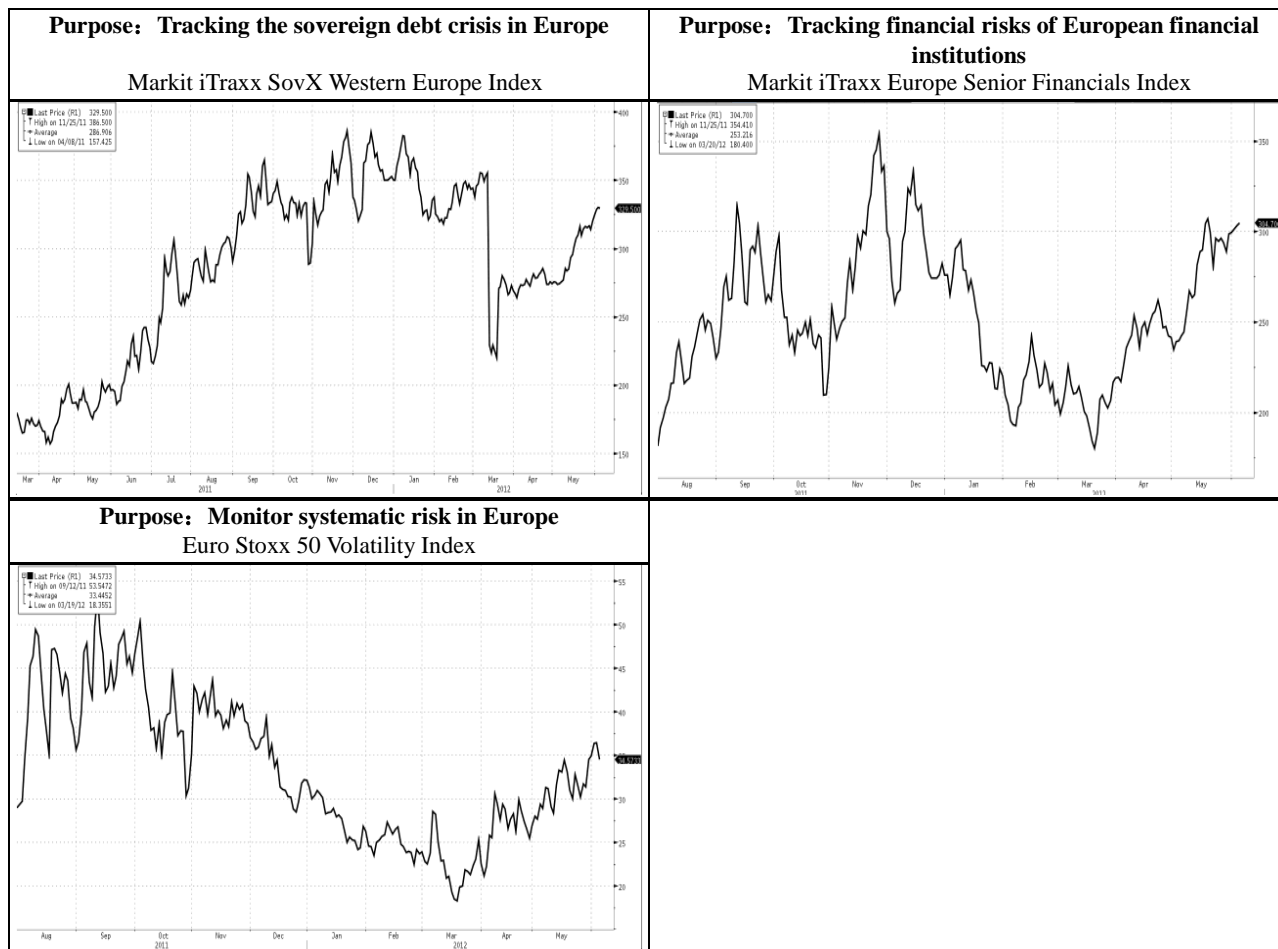
China 5-year CDS and HK 5-year CDS dropped on 05June. The HK\$ against US\$ is traded at 7.7585 in the morning of 06June.



Source: Bloomberg

Europe debt crisis monitor (Update to 05/06/2012)

Markit iTraxx SovX Western Europe Index which tracks CDS of 15 Western European dropped slightly while Markit iTraxx Europe Senior Financials Index which tracks CDS of major financial institutions in Europe rise on 05June.



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 (05/06/2012)

Code	Stock	Price (HK\$)	Price Chg	Short sell ratio	Notes:
2628	CHINA LIFE INS-H	17.08	0.12%	41%	The main short selling sector: • Financial-China Life(2628), China Minsheng Bank(1988)
2600	ALUMINUM CORP-H	3.09	-0.64%	40%	
1988	CHINA MINSHENG-H	7.07	1.43%	39%	
1919	CHINA COSCO HO-H	3.42	-2.56%	36%	
291	CHINA RES ENTERP	22.25	-4.71%	35%	
210	BEIJING ENTERPRI	41.80	-0.59%	32%	
1171	YANZHOU COAL-H	11.82	-3.27%	32%	
12	HENDERSON LAND D	38.70	0.26%	31%	
494	LI & FUNG LTD	14.12	0.28%	31%	
135	KUNLUN ENERGY CO	12.30	0.65%	30%	
2238	GUANGZHOU AUTO-H	6.39	-0.16%	29%	
4	WHARF HLDG	39.80	1.53%	28%	
293	CATHAY PAC AIR	12.20	-0.97%	28%	
19	SWIRE PACIFIC-A	82.05	0.92%	27%	
3968	CHINA MERCH BK-H	14.32	-0.42%	27%	

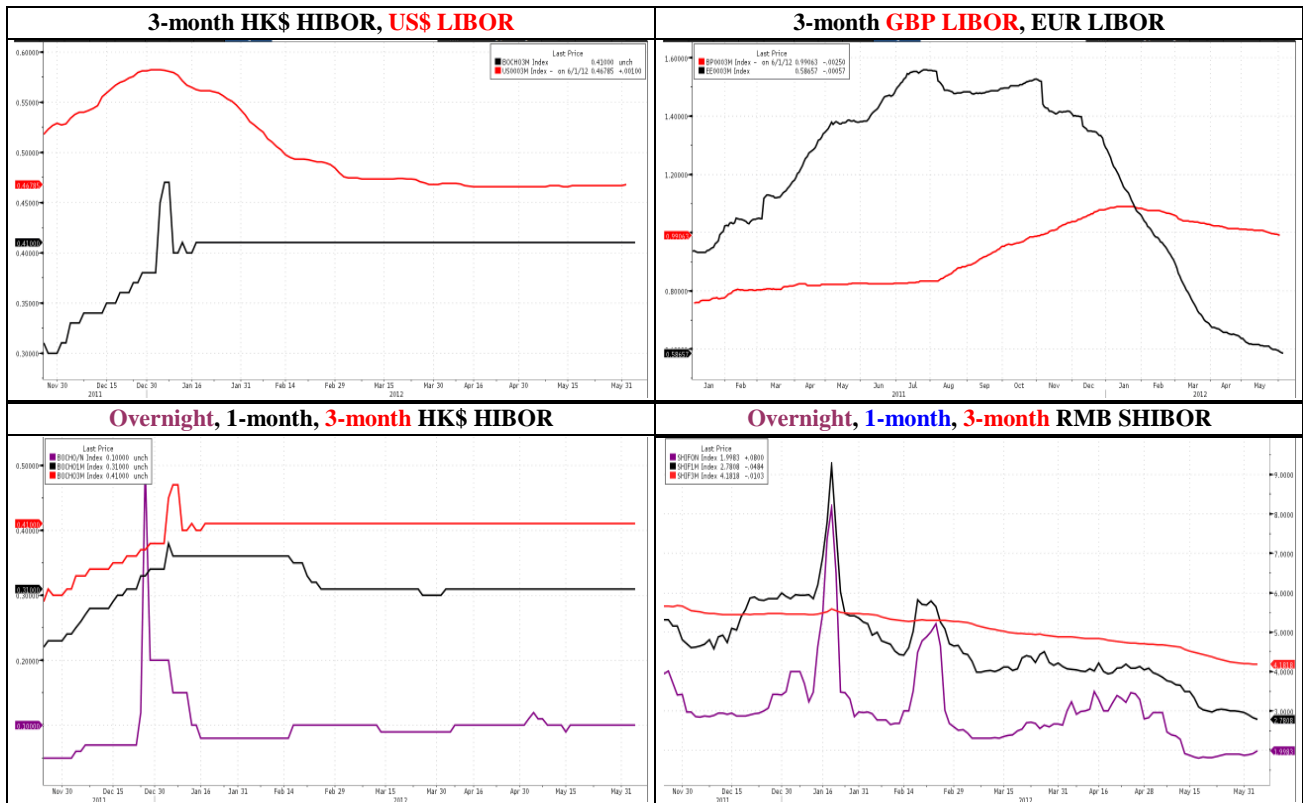
Remark: Ranked by top 15 short-selling turnover to total stock turnover ratios among Hang Seng Index, Red-chip index or H-share index. Short sell ratio = Short selling transaction value of the stock/total transaction value of the stock

Top 10 Percentage Gainers and Losers (05/06/2012)

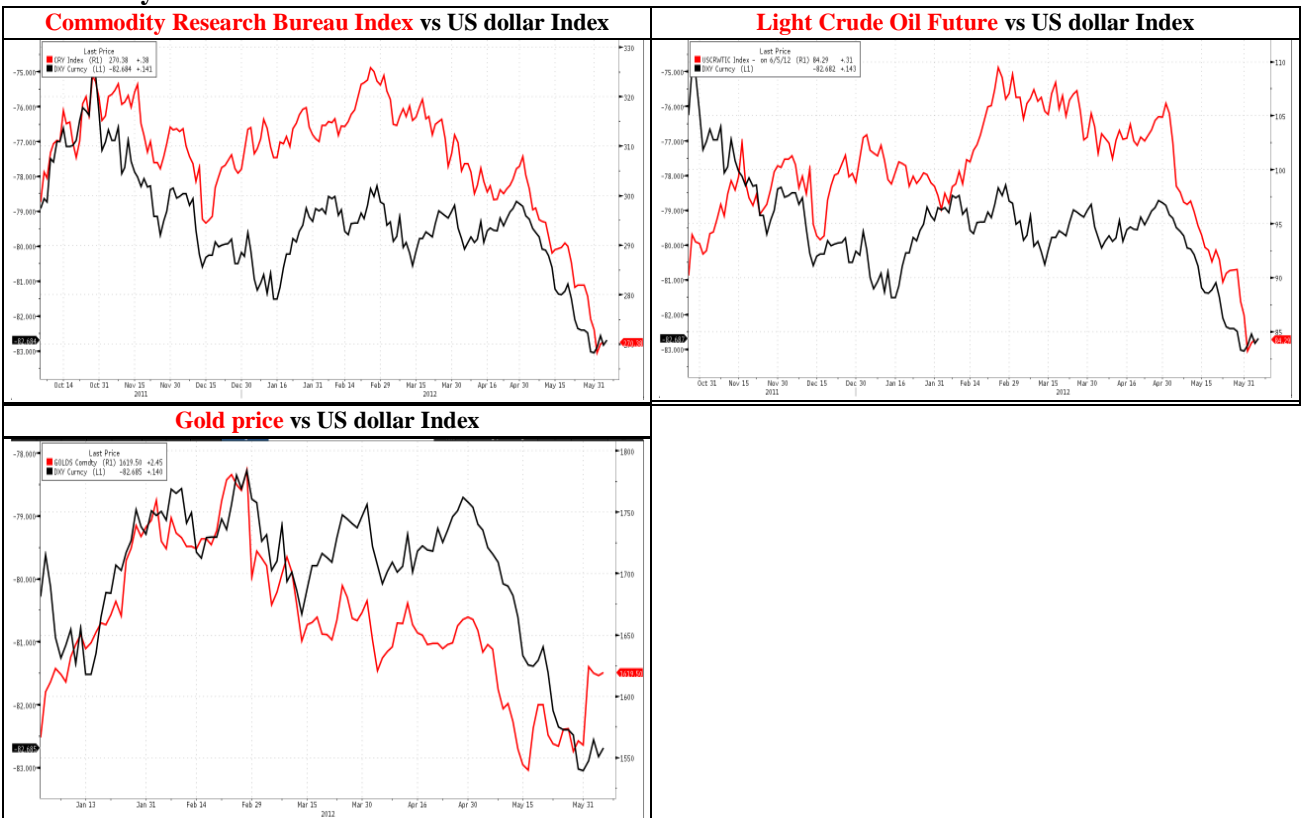
Hang Seng Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	322	TINGYI HLDG CO	18.64	2.76%	144	CHINA MERCHANT	21.15	-5.37%	
2	151	WANT WANT CHINA	9.39	2.74%	291	CHINA RES ENTERP	22.25	-4.71%	
3	101	HANG LUNG PROPER	24.90	2.47%	1088	CHINA SHENHUA-H	25.85	-1.71%	
4	388	HONG KONG EXCHNG	103.90	2.36%	1898	CHINA COAL ENE-H	6.58	-1.50%	
5	330	ESPRIT HLDGS	12.18	2.35%	1199	COSCO PAC LTD	8.83	-1.12%	
6	1880	BELLE INTERNATIO	12.26	2.34%	1044	HENGAN INTL	71	-1.11%	
7	1299	AIA GROUP LTD	25.20	2.23%	267	CITIC PACIFIC	10.98	-1.08%	
8	4	WHARF HLDG	39.80	1.53%	293	CATHAY PAC AIR	12.2	-0.97%	
9	3988	BANK OF CHINA-H	2.98	1.36%	13	HUTCHISON WHAMPO	61.9	-0.88%	
10	2318	PING AN INSURA-H	53.95	1.03%	688	CHINA OVERSEAS	15.3	-0.78%	
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	1066	SHANDONG WEIG-H	7.82	4.41%	1171	YANZHOU COAL-H	11.82	-3.27%	
2	1157	ZOONLION HEAVY-H	10.52	2.53%	2338	WEICHAI POWER-H	31.40	-2.94%	
3	902	HUANENG POWER-H	5.07	1.81%	1919	CHINA COSCO HO-H	3.42	-2.56%	
4	2899	ZIJIN MINING-H	2.63	1.54%	489	DONGFENG MOTOR-H	12.96	-2.41%	
5	390	CHINA RAIL GR-H	2.79	1.45%	168	TSINGTAO BREW-H	48.05	-2.04%	
6	1988	CHINA MINSHENG-H	7.07	1.43%	728	CHINA TELECOM-H	3.31	-1.78%	
7	2328	PICC PROPERTY &	8.01	1.39%	1088	CHINA SHENHUA-H	25.85	-1.71%	
8	3988	BANK OF CHINA-H	2.98	1.36%	2883	CHINA OILFIELD-H	10.32	-1.53%	
9	2318	PING AN INSURA-H	53.95	1.03%	1898	CHINA COAL ENE-H	6.58	-1.50%	
10	1800	CHINA COM CONS-H	6.90	1.02%	2600	ALUMINUM CORP-H	3.09	-0.64%	
Top 10 percent gain stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	817	FRANSHION PROP	2.27	2.71%	144	CHINA MERCHANT	21.15	-5.37%	
2	270	GUANGDONG INVEST	5.23	2.55%	291	CHINA RES ENTERP	22.25	-4.71%	
3	3360	FAR EAST HORIZON	5.15	1.98%	119	POLY HONG KONG	3.31	-2.93%	
4	606	CHINA AGRI-INDUS	5.32	1.72%	1199	COSCO PAC LTD	8.83	-1.12%	
5	3808	SINOTRUK HK LTD	4.10	1.49%	267	CITIC PACIFIC	10.98	-1.08%	
6	1114	BRILLIANCE CHINA	7.06	1.29%	688	CHINA OVERSEAS	15.30	-0.78%	
7	363	SHANG INDUS HLDG	20.65	1.23%	883	CNOOC LTD	13.28	-0.75%	
8	836	CHINA RES POWER	14.04	0.72%	392	BEIJING ENTERPRI	41.80	-0.59%	
9	135	KUNLUN ENERGY CO	12.30	0.65%	1313	CHINA RES CEMENT	5.16	-0.19%	
10	123	YUEXIU PROPERTY	1.79	0.56%	941	CHINA MOBILE	76.70	-0.07%	

Source: Bloomberg

Interest Rates Monitor



Commodity Monitor



Source: Bloomberg

Appendix: H-Share and A-share Price Comparison Table (05/06/2012)

H-share Code	A-share Code	Stock Name	H-share		A-share		H-share premium		2011 PER	2012 PER	2013 PER	2011 P/B
			Price (HK\$)	price chg (%)	Price (RMB)	price chg (%)	(discount) to A-share					
939	601939	CCB	5.37	0.9%	4.46	0.5%	-1.2%	6.48	5.98	5.34	1.36	
1398	601398	ICBC	4.69	0.9%	4.20	0.7%	-8.3%	6.52	5.81	5.22	1.40	
1288	601288	ABC	3.11	0.6%	2.62	0.4%	-2.6%	6.23	5.45	4.80	1.20	
3988	601988	BANK OF CHINA	2.98	1.4%	3.01	0.3%	-18.7%	5.47	5.16	4.79	0.94	
3328	601328	BANKCOMM	5.00	0.6%	4.56	0.2%	-10.0%	5.01	4.78	4.52	0.93	
3968	600036	CM BANK	14.32	-0.4%	11.54	1.2%	1.9%	7.04	6.52	5.92	1.54	
998	601998	CITIC BANK	3.80	0.3%	4.13	0.0%	-24.5%	4.39	4.34	3.97	0.84	
1988	600016	MINSHENG BANK	7.07	1.4%	6.24	1.3%	-7.0%	5.03	5.07	4.58	1.12	
2628	601628	CHINA LIFE	17.08	0.1%	16.81	-0.8%	-16.6%	21.57	14.33	11.62	2.07	
2318	601318	PING AN	53.95	1.0%	40.67	-0.3%	8.9%	17.58	13.38	11.15	2.68	
2601	601601	CPIC	21.65	-0.5%	20.37	0.3%	-12.8%	18.32	14.35	11.82	1.99	
1336	601336	NEW CHINA LIFE	29.35	1.6%	31.15	0.8%	-22.7%	19.43	20.03	16.43	2.40	
6030	600030	CITIC SEC	14.44	-3.1%	13.13	-1.6%	-9.7%	9.64	20.87	16.60	1.51	
6837	600837	HAITONG SEC	10.00	-1.0%	10.06	-1.3%	-18.4%	-	19.04	15.66	-	
857	601857	PETROCHINA	9.65	-0.6%	9.33	0.3%	-15.1%	10.85	9.20	8.45	1.45	
386	600028	SINOPEC CORP	6.80	0.4%	6.50	0.2%	-14.1%	6.61	6.36	5.89	1.02	
338	600688	SHANGHAI PEICHEM	2.13	-2.7%	5.86	1.6%	-70.2%	13.14	10.73	6.70	0.70	
1033	600871	YIZHENG CHEM	1.55	-0.6%	6.86	1.5%	-81.5%	6.06	7.48	7.07	0.57	
2883	601808	CHINA OILFIELD	10.32	-1.5%	16.88	0.0%	-49.8%	9.43	8.18	7.30	1.34	
568	002490	SHANDONG MOLONG	4.89	1.7%	14.63	-1.2%	-72.6%	9.56	-	-	0.59	
1088	601088	SHENHUA ENERGY	25.85	-1.7%	25.38	0.7%	-16.4%	9.42	8.61	7.71	1.87	
1898	601898	CHINA COAL	6.58	-1.5%	8.74	-0.6%	-38.2%	7.10	6.73	5.84	0.88	
1171	600188	YANZHOU COAL	11.82	-3.3%	21.68	-1.0%	-55.2%	5.45	5.81	5.38	1.13	
902	600011	HUANENG POWER	5.07	1.8%	6.05	6.9%	-31.2%	49.82	12.35	10.92	1.15	
991	601991	DATANG POWER	2.72	4.2%	5.24	4.0%	-57.4%	14.61	9.62	7.83	0.76	
1071	600027	HUADIAN POWER	1.74	4.2%	3.45	4.5%	-58.6%	129.83	8.45	6.90	0.59	
670	600115	CHINA EAST AIR	2.27	3.7%	4.18	4.2%	-55.4%	4.62	6.25	5.20	1.04	
1055	600029	CHINA SOUTH AIR	3.48	0.0%	4.68	0.0%	-39.0%	5.49	8.35	7.40	0.87	
753	601111	AIR CHINA	4.74	-0.4%	6.22	3.7%	-37.5%	6.43	5.96	8.66	1.09	
1800	601800	CHINA COMM CONS	6.90	1.0%	5.20	-1.7%	8.9%	7.17	7.13	6.27	1.20	
390	601390	CHINA RAILWAY	2.79	1.5%	2.67	1.1%	-14.2%	7.29	7.44	6.66	0.68	
1186	601186	CHINA RAIL CONS	5.54	-0.4%	4.32	-0.2%	5.3%	7.10	7.62	6.87	0.87	
1766	601766	CSR	5.54	1.1%	4.77	-0.8%	-4.7%	13.95	13.95	11.81	2.39	
525	601333	GUANGSHEN RAIL	2.45	-0.4%	3.17	0.3%	-36.6%	8.04	9.06	8.14	0.56	
177	600377	JIANGSU EXPRESS	7.14	-3.9%	5.96	0.0%	-1.7%	12.16	11.34	10.35	1.63	
548	600548	SHENZHENEXPRESS	3.01	2.0%	3.92	-0.5%	-37.0%	6.16	6.98	6.45	0.59	
995	600012	ANHUIEXPRESSWAY	3.38	0.9%	4.36	0.2%	-36.4%	5.42	5.32	5.17	0.72	
107	601107	SICHUAN EXPRESS	2.67	-0.7%	3.70	0.5%	-40.8%	5.14	5.32	5.18	0.72	
895	002672	DONGJIANG	30.50	1.0%	51.20	-1.2%	-51.1%	21.25	13.39	11.35	4.68	
1065	600874	TIANJIN CAPITAL	1.85	0.0%	5.57	0.2%	-72.7%	7.72	8.68	9.20	0.61	
1211	002594	BYD COMPANY	15.00	-0.1%	23.20	-1.9%	-46.9%	20.83	22.34	16.87	1.37	
2238	601238	GUANGZHOU AUTO	6.39	-0.2%	7.80	0.5%	-32.8%	7.55	7.33	6.25	1.10	
2333	601633	GREATWALL MOTOR	15.66	1.7%	16.36	-0.5%	-21.4%	10.54	9.13	8.22	3.13	
2338	000338	WEICHAI POWER	31.40	-2.9%	31.81	-1.8%	-19.0%	7.67	8.16	7.06	1.87	
1157	000157	ZOOMLION	10.52	2.5%	10.48	-1.2%	-17.6%	8.22	7.61	6.62	1.88	
187	600860	BEIREN PRINTING	1.59	0.0%	-	-	-	55.23	-	-	0.73	
300	600806	JIAODA HIGHTECH	1.98	0.0%	6.31	-2.9%	-74.2%	15.82	3.39	9.56	0.62	
42	000585	NE ELECTRIC	0.63	1.6%	2.09	1.0%	-75.3%	-	-	-	1.67	
1072	600875	DONGFANG ELEC	16.88	-1.7%	21.35	0.2%	-35.1%	9.06	8.28	7.85	2.01	
2727	600627	SH ELECTRIC	3.15	-0.6%	5.44	0.6%	-52.5%	10.15	9.20	8.34	1.13	
2208	002202	GOLDWIND	3.02	-1.3%	7.10	0.1%	-65.1%	10.78	14.67	12.78	0.52	



350	000666	JINGWEI TEXTILE	4.20	0.0%	12.52	-0.3%	-72.5%	4.26	-	-	0.61
168	600600	TSINGTAO BREW	48.05	-2.0%	38.32	1.5%	2.9%	30.65	26.21	22.07	4.80
719	000756	SHANDONG XINHUA	1.84	5.7%	5.32	0.4%	-71.6%	8.99	-	-	0.40
874	600332	GUANGZHOU PHAR	12.86	-3.3%	23.90	-0.7%	-55.8%	29.73	23.56	19.30	2.26
2607	601607	SH PHARMA	9.16	-0.9%	10.62	1.2%	-29.2%	8.95	10.34	9.19	0.88
1618	601618	MCC	1.68	-2.3%	2.59	0.8%	-46.8%	6.33	5.67	4.75	0.55
347	000898	ANGANG STEEL	4.15	-1.4%	4.06	0.2%	-16.1%	-	1135.42	18.92	0.49
323	600808	MAANSHAN IRON	1.71	-0.6%	2.35	0.0%	-40.3%	155.95	34.23	10.03	0.40
1053	601005	CHONGQING IRON	1.02	-3.8%	3.31	-3.5%	-74.7%	-	-	-	0.36
2600	601600	CHALCO	3.09	-0.6%	6.65	0.0%	-61.9%	126.81	-	43.73	0.66
358	600362	JIANGXI COPPER	15.58	0.4%	24.77	0.0%	-48.4%	6.73	6.61	6.52	1.13
2899	601899	ZIJIN MINING	2.63	1.5%	4.10	-1.2%	-47.3%	8.30	7.39	6.83	1.88
914	600585	ANHUI CONCH	22.55	0.2%	16.52	-0.2%	12.0%	8.45	11.08	9.23	2.21
2009	601992	BBMG	5.67	0.5%	7.80	-0.6%	-40.3%	5.75	5.32	4.52	0.99
588	601588	BEIJING N STAR	1.32	-2.2%	2.87	-0.3%	-62.2%	3.11	-	-	0.26
763	000063	ZTE	14.20	-0.4%	14.55	-1.6%	-19.9%	17.93	12.09	9.59	1.65
553	600775	NANJING PANDA	1.64	-3.0%	6.10	-1.1%	-77.9%	8.01	-	-	0.56
317	600685	GUANGZHOU SHIP	5.36	1.3%	15.06	0.1%	-70.8%	5.47	3.73	5.37	0.82
1919	601919	CHINA COSCO	3.42	-2.6%	4.86	0.0%	-42.2%	-	-	25.29	0.83
2866	601866	CSCL	1.83	-4.2%	2.78	0.0%	-46.0%	-	57.77	15.33	0.67
1138	600026	CHINA SHIP DEV	3.81	-2.1%	5.72	0.2%	-45.3%	10.17	14.82	8.19	0.45
2880	601880	DALIAN PORT	1.68	1.2%	3.37	1.5%	-59.1%	8.94	7.54	7.07	0.48
921	000921	HISENSE KELON	1.51	1.3%	4.19	0.5%	-70.4%	7.39	-	-	2.08
1108	600876	LUOYANG GLASS	1.46	2.1%	6.54	-0.9%	-81.7%	14.98	-	-	5.94
1812	000488	CHENMING PAPER	3.08	0.7%	4.60	0.2%	-45.0%	8.72	6.24	4.47	0.39

Source: Bloomberg

Analyst Certification and Disclosure

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“Li Hong-ying, Vivian has financial interest in Evergrande Real Estate Group Limited as at 6 June 2012”.

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