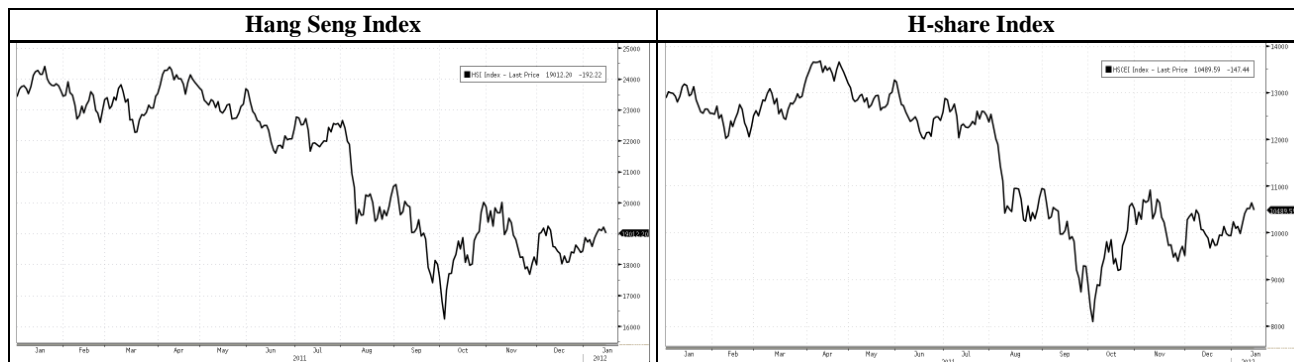


HONG KONG STOCK MARKET SUMMARY



Indexes Performance

16/01/2012	PER(x)	Close	Chg. (%)	Net Chg.	Day High	Day Low		(HK\$m)	Chg. (%)
Hang Seng Index	8.61	19,012.20	-1.00%	-192.22	19,070.74	18,985.75	Main board turnover	38,804	-26.85%
HSI-Finance	8.38	25,826.57	-0.65%	-169.93	25,916.81	25,707.38	HSI stocks	12,939	-36.77%
HSI-Comm & Ind	9.17	11,475.16	-1.39%	-162.33	11,548.01	11,450.65	HSCEI stocks	10,411	-26.31%
HSI-Properties	5.98	23,663.05	-0.97%	-232.12	23,718.64	23,558.13	Derivative warrants	6,844	-11.47%
HSI-Utilities	16.35	44,335.69	-1.07%	-480.31	44,744.50	44,303.31	Callable Bull/Bear	5,261	-19.30%
HSI Volatility Index	-	22.92	6.16%	1.33	23.26	22.66	Short-selling	2,686	-47.01%

16/01/2012	PER(x)	Close	Chg. (%)	16/01/2012	PER(x)	Close	Chg. (%)
HS Composite Index	8.71	2,620.70	-1.14%	HSCI-Financials	8.43	2,793.09	-0.72%
Red Chip Index	10.47	3,753.13	-1.82%	HSCI-Services	11.97	3,415.37	-1.10%
HS H-share Index	8.73	10,489.59	-1.39%	HSCI-Telecom	11.42	1,644.99	-2.13%
H-share Financial Index	8.03	13,699.51	-1.11%	HSCI-Prop & con	5.32	2,311.77	-1.26%
				HSCI-Utilities	14.26	5,322.78	-1.14%
				HSCI-Energy	9.48	13,624.15	-1.57%
				HSCI-Materials	8.39	6,719.27	-1.86%
				HSCI-Industrial goods	8.83	1,106.63	-1.26%
				HSCI-Consumer goods	15.49	4,345.57	-1.26%
				HSCI-I.T.	18.90	2,174.06	-0.80%
				HSCI-Conglomerates	4.34	1,996.41	-1.15%

Futures Market

	Close	Net change	Chg. (%)	Day High	Day Low	Volume	O/I
HSI Futures							
HSI Jan 12	19,020	-254	-1.32%	19,063	18,968	50,926	84,267
HSI Feb 12	19,024	-253	-1.31%	19,060	18,980	1,115	2,210
HS CEI Futures							
HSCEI Jan 12	10,514	-167	-1.56%	10,551	10,473	32,181	104,233
HSCEI Feb 12	10,522	-165	-1.54%	10,553	10,481	456	2,449

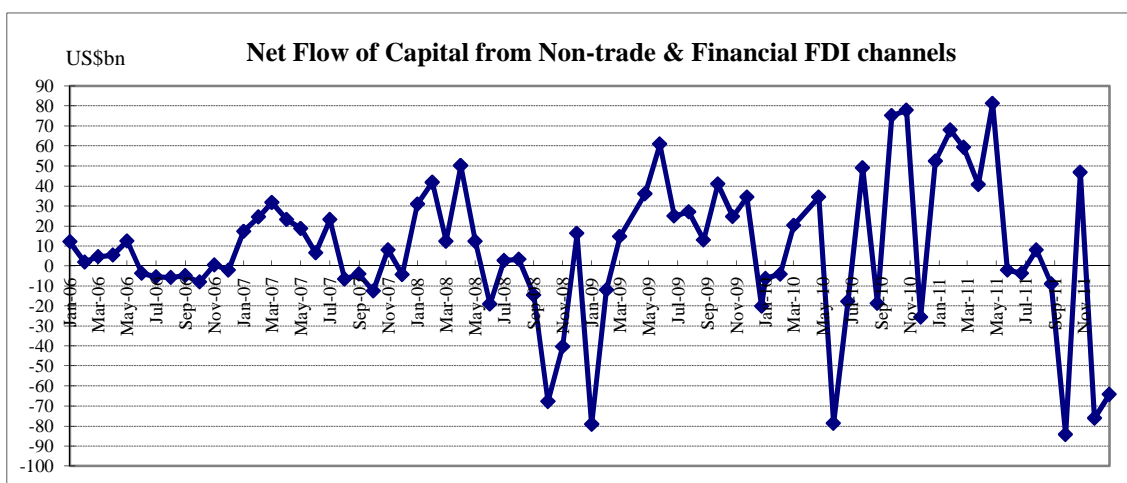
Event: China's foreign exchange reserve reduced by US\$20.5bn in the Q4 2011, signaling outflow of capital. We estimate the net outflow of capital from non-trade and non-FDI channels fetched to approx. US\$93.7bn during the Q4.

Our comment

- The PBOC unveiled foreign exchange reserve reduced by US\$20.5bn from US\$3,201.7bn in Sep to US\$3,181.1bn in Dec last year. The reduction of exchange reserve signal huge capital outflow during the period. In particular, we estimate huge amount of capital outflow during the last two months of 2011.
- In the Q4 2011, China recorded a total trade surplus of US\$48.1bn despite of sluggish economic growth in the US and Europe. In Oct and Nov 2011, total FDI in China was US\$17.1bn, according to Ministry of Commerce. We predict total FDI in the Q4 2011 to fetch to approx. US\$25.1bn. Hence, we estimate total trade surplus and FDI in the Q4 2011 to be US\$73.2bn. However, foreign exchange reserve reduced by US\$20.5bn during the Q4. We estimate the net outflow of capital from non-trade and non-FDI channels during the Q4 was approx. US\$93.7bn.
- Based on the monthly change of foreign exchange reserve, monthly trade surplus and monthly FDI, we estimate net outflow of capital of US\$179bn from non-trade and non-FDI channels in the second half of 2011 after a net inflow of US\$251bn in the first half of 2011. We believe the China-induced policy to contain price bubble in the property market has encouraged hot money to leave the China market in the second half of 2011.



Source: General Admin. Customs, Ministry of Commerce, ABCI Securities



We estimate net flow of capital = monthly change of FX reserve – trade surplus - FDI

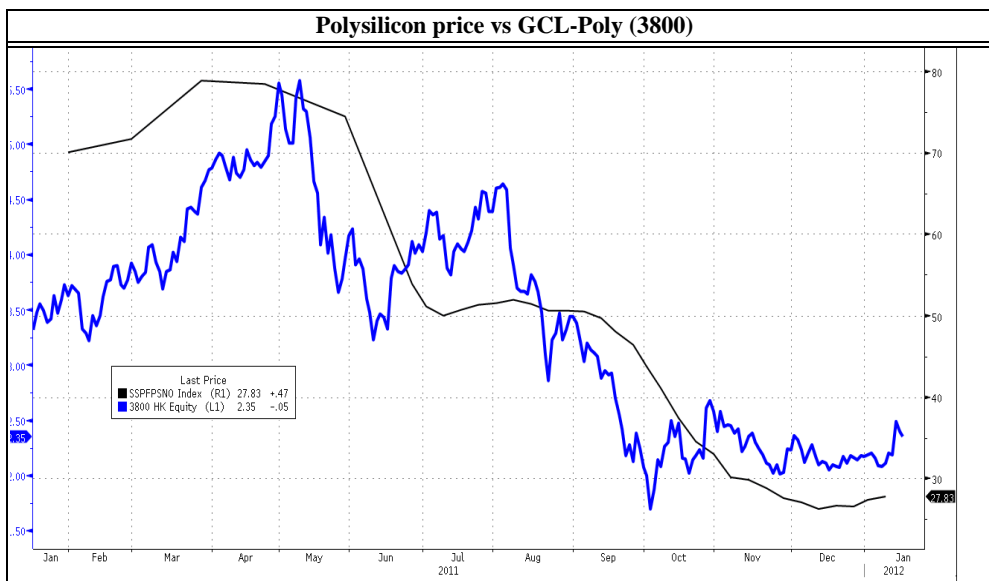
Source: General Admin. Customs, Ministry of Commerce, ABCI Securities

Analyst: Philip Chan

Event: HK Solar stocks rallied over 10% last week, mainly due to 1) Germany's higher-than-expected installation of 3GW in Dec 2011 and 2) rebound in polysilicon price. However, the rebound may be short-lived as the downstream demand of solar products remains weak in Q1 2012.

Comment:

- According to the country grid regulator, Germany installed a total capacity of 7.5GW in 2011 (7.4GW in 2010), with 3GW newly added in Dec, which beat the full-year expectation of 5GW by 48%. However, the pace of installations could trigger a 15% cut in tariffs under the feed-in law for renewable energy from July 2012, if unabated. The larger-than-expected installed capacity and the possibility of deterioration of the Euro sovereign crisis add uncertainty to the growth of the PV market in Germany, the largest PV market in the world. Germany accounted for 50% of global demand.
- Polysilicon price rebounded for 3 consecutive weeks and has risen by 7% from Dec low. According to PV Insight, polysilicon price rose 1.6%WoW to US\$31.0/kg for the week ended 11 Jan 2012. However, demand for downstream products remains weak. Solar Cell price dropped 0.84%WoW to US\$0.474/watt whereas solar modules dropped by 0.53%WoW to US\$0.946/watt. As 1Q 2012 is a slack season for PV installations, we expect the rebound of polysilicon price in recent weeks may not be sustainable in the short term.
- We doubt that GCL-poly will continue to rebound until we see a long term recovery in polysilicon price. As of 16 Jan, GCL-Poly (3800; HK\$2.35) is trading at est 2011 PE of 7.1x; est 2012 PE of 10.9x and 2011 PB of 1.88x. We expect its short term trading range will be within HK\$1.87-2.50, representing PB of 1.5x-2.0x.



Source: Bloomberg

Analyst: Lisa Lee



Event: Belle(1880)and Daphne(210) announced 4Q 2011 operating data respectively. Belle's footwear same store sales growth (SSSG) slowed down to 8.2% YoY, which was the lowest SSSG for 2011(1Q SSSG:22% YoY ;2Q SSSG:20% YoY ;3Q SSSG:18.5% YoY). Total number of stores at the end of 2011 reached 10,270, representing a 23.6% YoY growth. Daphne's 4Q 2011 and full year SSSG reached 26% YoY and 21% YoY respectively. Its total number of stores at the end of 2011 was 5,899, representing a 13.4% YoY growth.

Our comment:

- Belle's stock price dropped 9.3% since it announced the disappointing 4Q data. The stock is trading at 15.8x FY 2012 PER, that is 42% lower than its historical PE of 27x. We expect that the poor 4Q footwear data was seasonal reason (warm weather and less promotion in department store). In respect of Belle's leading market share and solid new store growth, the short term weakness of stock price may provide a good entry point.
- Daphne's stock price surged 5.2% since it announced strong 4Q 2011 operating data. The stock is trading at 13.4x FY 2012 PE, which is 42% lower than its historical PE of 23x. Due to its well located in the second & third tier cities and leading position in mass market, we expect that the growth momentum of Daphne is still strong in next few years.

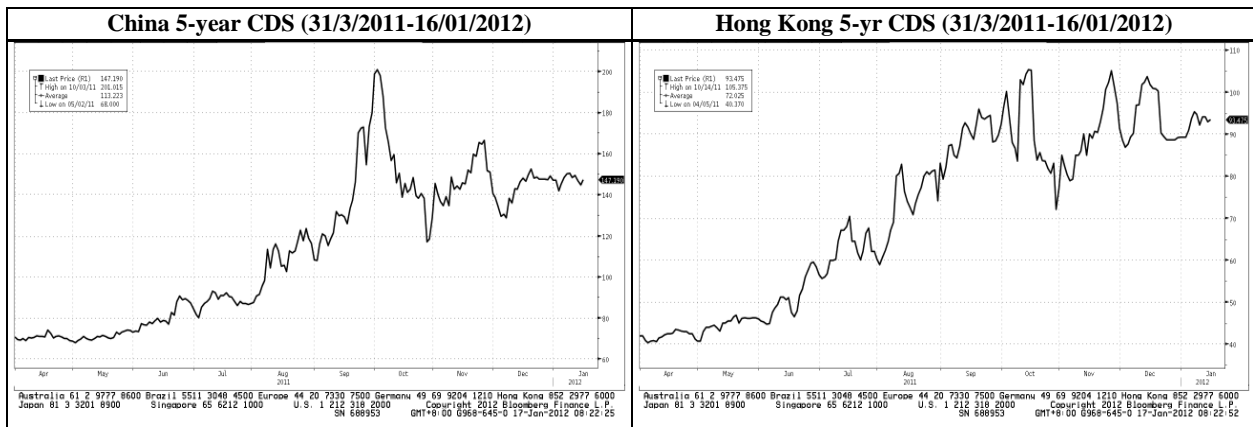
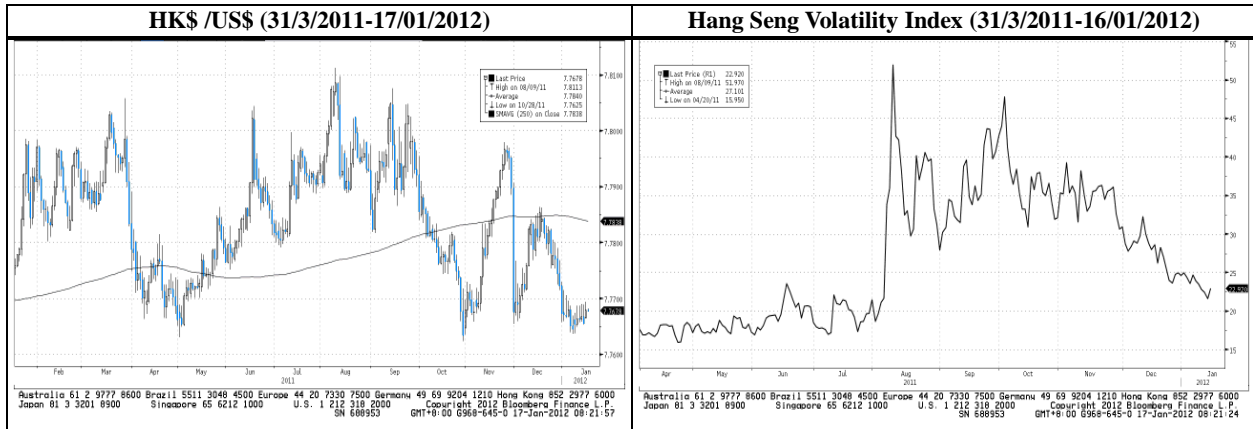
Code	Name	Mkt cap(HK\$m)	Price(HK\$)	2010 PE	FY 2011PE	FY 2012PE	2010 EPS	FY 2011EPS	FY 2012EPS
1880	BELLE	97,500	11.56	24.60	18.65	15.84	0.47	0.62	0.73
210	DAPHNE	13,899	8.47	23.53	16.61	13.44	0.36	0.51	0.63

Source :Bloomberg

Analyst: Judy Hu

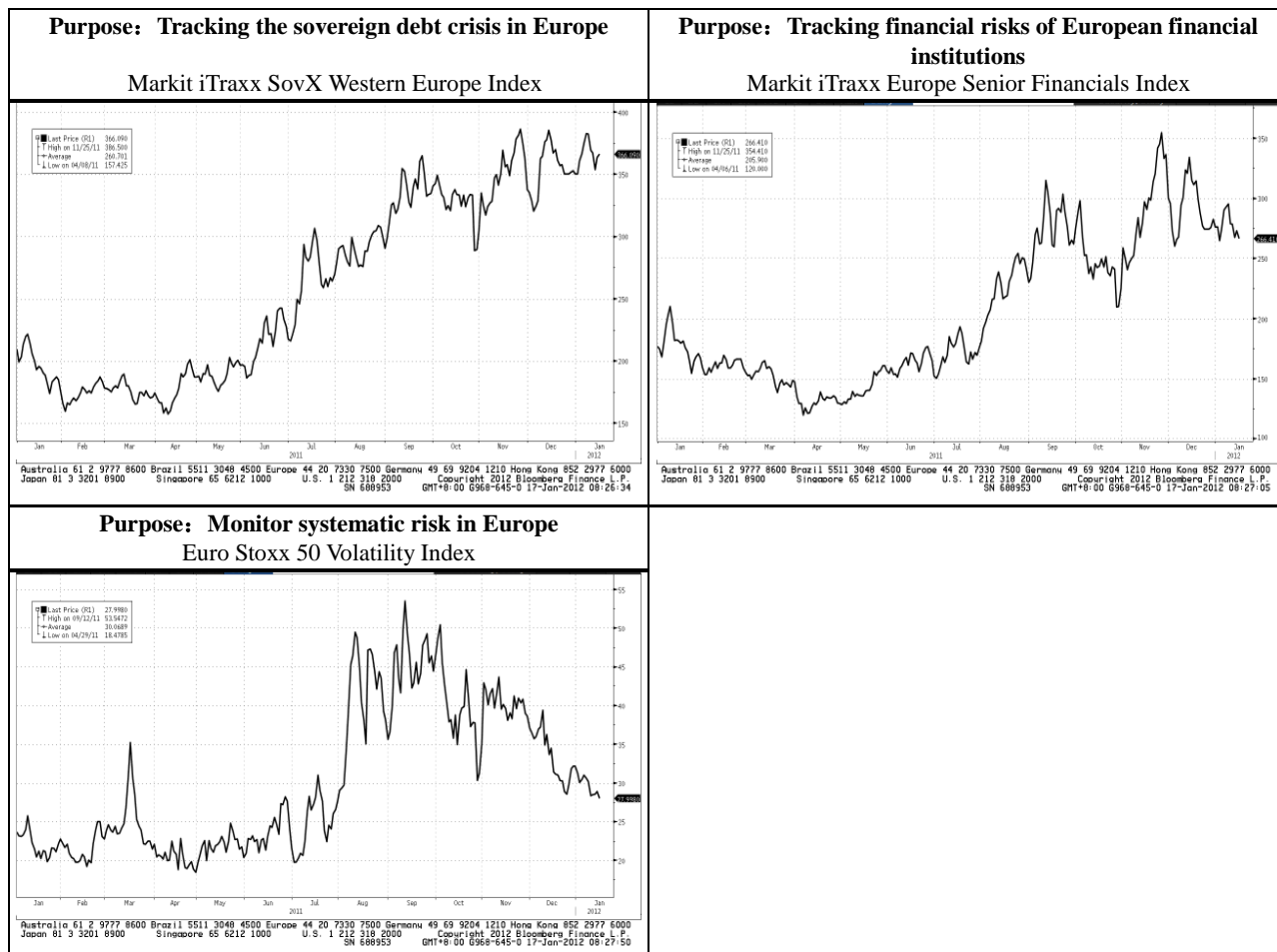
HK stock market risks monitor

China 5-year CDS rose slightly while HK 5-year CDS dropped on 16 Jan. The HK\$ traded at 7.7678 against US\$ in the morning of 17 Jan.



Europe debt crisis monitor (Update to 16/01/2012)

Markit iTraxx SovX Western Europe Index which tracks CDS of 15 Western European rose slightly while the Markit iTraxx Europe Senior Financials Index which tracks CDS of major financial institutions in Europe eased on 16 Jan.



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 (16/01/2012)

Code	Stock	Price (HK\$)	Price Chg	Short sell ratio	Notes:
23	BANK EAST ASIA	29.05	-0.68%	77%	The main short selling sector: ● Financial- Bank of East Asia(23), Hong Kong Exchange(388) ● Telecommunication- ZTE(763), Foxconn(2038), Tencent(700)
494	LI & FUNG LTD	15.84	-0.75%	55%	
753	AIR CHINA LTD-H	5.83	-5.05%	49%	
168	TSINGTAO BREW-H	41.60	-1.07%	42%	
388	HONG KONG EXCHNG	122.10	-0.97%	33%	
267	CITIC PACIFIC	13.70	-1.30%	32%	
763	ZTE CORP-H	24.25	-0.61%	31%	
144	CHINA MERCHANT	24.90	-0.20%	30%	
101	HANG LUNG PROPER	23.85	-1.45%	30%	
1099	SINOPHARM-H	17.74	-2.74%	28%	
3	HONG KG CHINA GS	17.84	-0.56%	28%	
1	CHEUNG KONG	94.85	-1.15%	28%	
2038	FOXCONN INTL HLD	4.68	-4.29%	27%	
700	TENCENT HOLDINGS	170.10	0.00%	25%	
19	SWIRE PACIFIC-A	78.20	0.19%	24%	

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

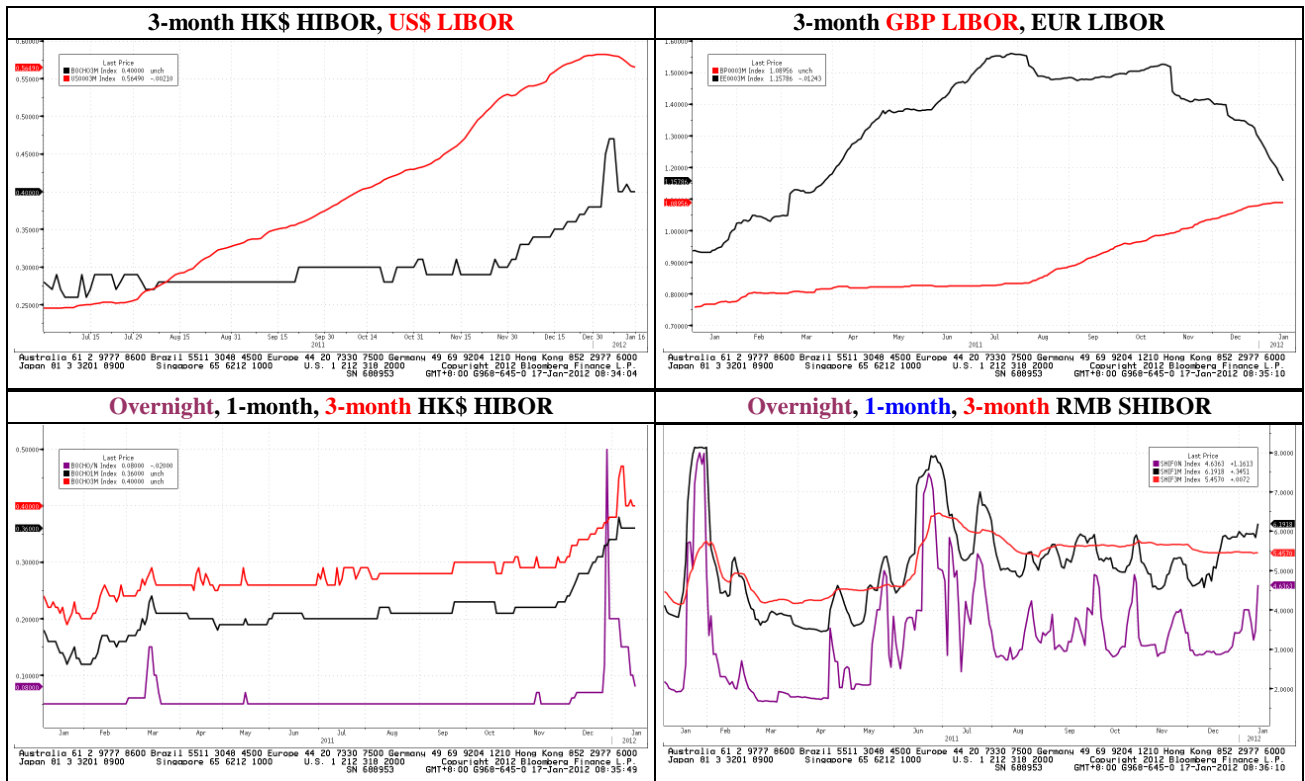
Top 10 Percentage Gainers and Losers (16/01/2012)

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	291	CHINA RES ENTERP	27.95	0.72%	762	CHINA UNICOM HON	14.44	-4.75%
2	1299	AIA GROUP LTD	24.00	0.42%	2628	CHINA LIFE INS-H	19.38	-3.34%
3	11	HANG SENG BK	93.65	0.38%	2600	ALUMINUM CORP-H	3.57	-2.99%
4	19	SWIRE PACIFIC-A	78.20	0.19%	1109	CHINA RES LAND	12.92	-2.86%
5					4	WHARF HLDG	38.9	-2.75%
6					1880	BELLE INTERNATIO	11.56	-2.53%
7					386	CHINA PETROLEU-H	8.68	-2.47%
8					2318	PING AN INSURA-H	51.35	-2.47%
9					330	ESPRIT HLDGS	11.42	-2.23%
10					1898	CHINA COAL ENE-H	9.35	-2.20%

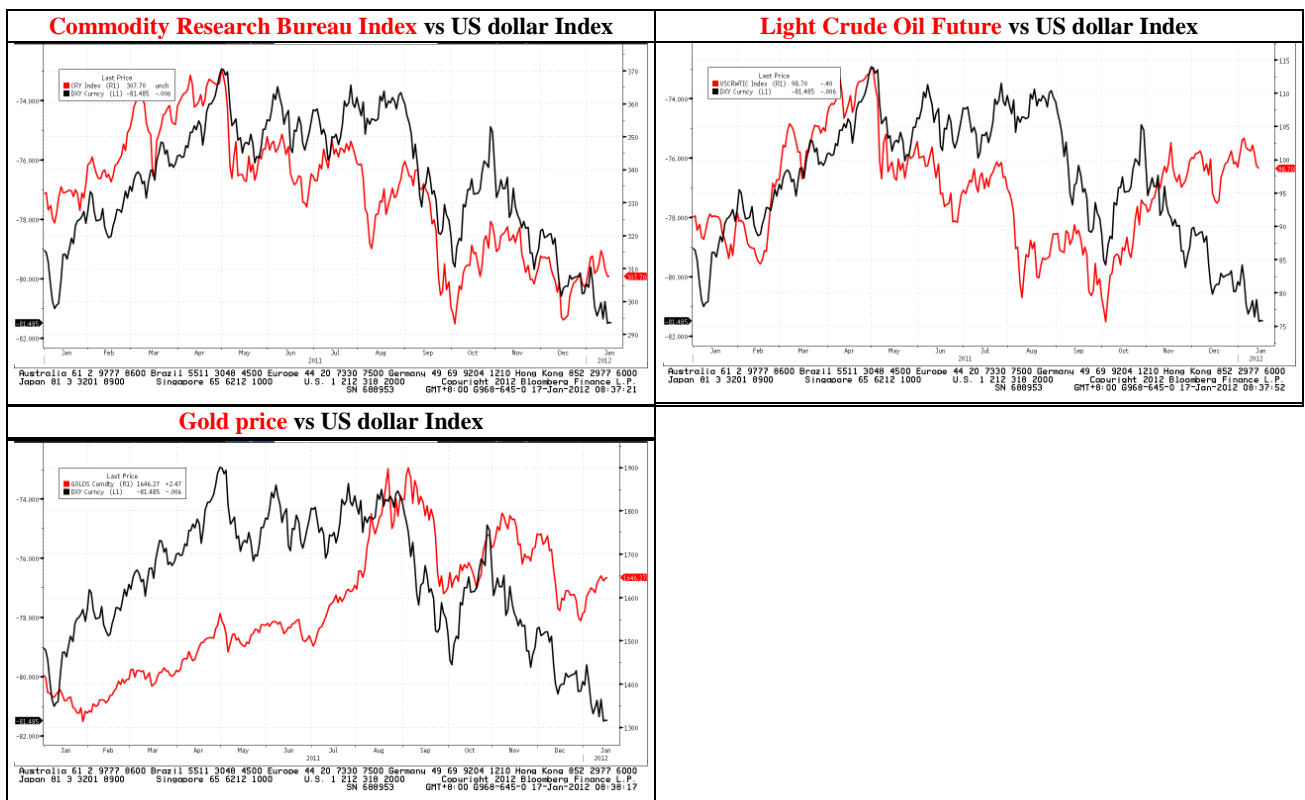
H-share Index stocks								
Top 10 percent gain stocks					Top 10 percent loss stocks			
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change
1	1211	BYD CO LTD-H	21.80	4.81%	2601	CHINA PACIFIC-H	21.85	-5.21%
2	1066	SHANDONG WEIG-H	6.42	3.38%	753	AIR CHINA LTD-H	5.83	-5.05%
3	1157	ZOOMLION HEAVY-H	9.90	2.06%	728	CHINA TELECOM-H	4.04	-4.72%
4	1800	CHINA COM CONS-H	6.88	0.58%	1919	CHINA COSCO HO-H	4.02	-3.83%
5					489	DONGFENG MOTOR-H	13.78	-3.50%
6					914	ANHUI CONCH-H	22.80	-3.39%
7					2628	CHINA LIFE INS-H	19.38	-3.34%
8					390	CHINA RAIL GR-H	2.37	-3.27%
9					358	JIANGXI COPPER-H	17.52	-2.99%
10					2600	ALUMINUM CORP-H	3.57	-2.99%

Red Chip Index stocks								
Top 10 percent gain stocks					Top 10 percent loss stocks			
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change
1	291	CHINA RES ENTERP	27.95	0.72%	1114	BRILLIANCE CHINA	8.38	-6.05%
2	3360	FAR EAST HORIZON	6.74	0.60%	762	CHINA UNICOM HON	14.44	-4.75%
3	363	SHANG INDUS HLDG	23.35	0.21%	392	BEIJING ENTERPRI	43.45	-3.44%
4					1313	CHINA RES CEMENT	5.08	-3.42%
5					606	CHINA AGRI-INDUS	5.97	-2.93%
6					966	CHINA TAIPING IN	12.90	-2.86%
7					1109	CHINA RES LAND	12.92	-2.86%
8					119	POLY HONG KONG	3.45	-2.82%
9					3808	SINOTRUK HK LTD	4.17	-2.80%
10								

Interest Rates Monitor



Commodity Monitor



Appendix: H-Share and A-share Price Comparison Table (16/01/2012)

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	5.73	-0.2%	4.77	0.0%	-2.3%	7.16	6.87	6.22	1.51	
1398	601398	ICBC	5.15	0.0%	4.31	-0.7%	-2.8%	7.75	7.13	6.47	1.70	
1288	601288	ABC	3.60	-0.8%	2.65	0.0%	10.5%	8.87	7.39	6.39	1.75	
3988	601988	BANK OF CHINA	3.16	-0.3%	2.97	-0.3%	-13.5%	5.97	5.95	5.56	1.07	
3328	601328	BANKCOMM	5.78	-0.9%	4.74	-0.4%	-0.8%	6.47	5.83	5.50	1.17	
3968	600036	CM BANK	16.88	-0.4%	12.39	-0.8%	10.8%	9.53	8.54	8.05	2.04	
998	601998	CITIC BANK	4.66	-0.9%	4.25	0.5%	-10.8%	5.92	5.78	5.66	1.16	
1988	600016	MINSHENG BANK	6.99	-1.3%	6.18	-0.8%	-8.0%	5.86	5.96	5.65	1.24	
2628	601628	CHINA LIFE	19.38	-3.3%	17.81	-0.4%	-11.5%	15.60	17.77	13.13	2.26	
2318	601318	PING AN	51.35	-2.5%	35.59	-1.2%	17.3%	15.60	16.11	12.18	2.46	
2601	601601	CPIC	21.85	-5.2%	19.85	-0.5%	-10.5%	17.77	15.21	12.19	1.90	
1336	601336	NEW CHINA LIFE	25.10	0.0%	28.28	-5.3%	-27.8%	10.91	16.20	13.79	-	
6030	600030	CITIC SEC	13.28	-4.2%	9.83	0.3%	9.8%	9.47	10.09	16.19	1.52	
857	601857	PETROCHINA	10.88	-0.9%	10.09	-1.1%	-12.3%	11.53	11.56	10.13	1.66	
386	600028	SINOPEC CORP	8.68	-2.5%	7.54	-1.0%	-6.4%	7.89	8.04	7.24	1.35	
338	600688	SHANGHAI PEICHEM	2.92	-2.0%	5.81	-3.5%	-59.1%	-	8.63	7.47	0.93	
1033	600871	YIZHENG CHEM	1.88	-2.6%	7.05	-4.2%	-78.3%	4.42	5.99	6.70	0.70	
2883	601808	CHINA OILFIELD	12.12	-0.5%	15.11	-1.0%	-34.8%	11.00	10.83	9.07	1.66	
568	002490	SHANDONG MOLONG	4.34	-2.0%	9.04	-3.3%	-61.0%	4.06	4.15	5.69	0.87	
1088	601088	SHENHUA ENERGY	33.65	-1.5%	26.02	-1.2%	5.2%	13.09	11.87	10.56	2.68	
1898	601898	CHINA COAL	9.35	-2.2%	9.18	-1.2%	-17.2%	13.34	10.29	8.90	1.30	
1171	600188	YANZHOU COAL	17.16	-2.5%	23.13	-2.4%	-39.7%	5.84	7.61	7.29	1.72	
902	600011	HUANENG POWER	4.41	-1.1%	5.22	-2.2%	-31.3%	18.26	23.91	13.58	0.97	
991	601991	DATANG POWER	2.57	0.0%	4.97	-0.8%	-58.0%	10.00	14.72	10.29	0.72	
1071	600027	HUADIAN POWER	1.61	1.3%	3.07	-1.0%	-57.4%	35.10	-	16.78	0.54	
670	600115	CHINA EAST AIR	2.71	-4.9%	3.94	-0.5%	-44.1%	4.59	5.17	5.61	1.42	
1055	600029	CHINA SOUTH AIR	3.95	-8.6%	4.72	-2.5%	-32.0%	4.51	5.98	6.88	1.06	
753	601111	AIR CHINA	5.83	-5.0%	6.56	-1.6%	-27.7%	4.92	7.00	7.47	1.40	
390	601390	CHINA RAILWAY	2.37	-3.3%	2.47	-2.0%	-22.0%	6.13	6.88	6.16	0.61	
1186	601186	CHINA RAIL CONS	4.58	-1.1%	3.86	-3.5%	-3.5%	10.33	6.36	6.11	0.76	
1766	601766	CSR	4.62	0.2%	4.41	-1.3%	-14.8%	12.95	12.08	10.29	2.14	
525	601333	GUANGSHEN RAIL	2.73	-1.4%	3.55	0.6%	-37.5%	8.84	8.71	9.06	0.64	
177	600377	JIANGSU EXPRESS	7.18	-3.4%	5.61	-1.6%	4.1%	11.61	11.31	10.50	1.73	
548	600548	SHENZHEN EXPRESS	3.06	1.0%	3.90	-0.8%	-36.2%	7.34	7.23	6.51	0.62	
995	600012	ANHUI EXPRESSWAY	4.21	-0.2%	4.18	-0.5%	-18.1%	6.57	6.43	5.96	0.95	
107	601107	SICHUAN EXPRESS	3.00	0.0%	3.50	-4.1%	-30.3%	6.81	6.21	5.67	0.87	
1065	600874	TIANJIN CAPITAL	1.90	-0.5%	5.30	-3.3%	-70.9%	7.76	8.00	8.00	0.64	
1211	002594	BYD COMPANY	21.80	4.8%	23.55	-1.3%	-24.7%	107.49	47.52	33.32	2.08	
2333	601633	GREATWALL MOTOR	12.44	-2.0%	12.26	0.0%	-17.5%	7.61	8.49	7.55	2.47	
2338	000338	WEICHAI POWER	38.15	-1.9%	32.08	0.0%	-3.3%	7.34	8.49	7.77	2.45	
1157	000157	ZOOMLION	9.90	2.1%	8.39	3.3%	-4.1%	7.00	8.24	7.65	1.49	
187	600860	BEIREN PRINTING	1.45	-1.4%	3.99	-1.5%	-70.5%	8.60	-	-	0.66	
300	600806	JIAODA HIGHTECH	2.29	-1.3%	5.57	-4.1%	-66.6%	7.12	2.82	2.24	0.71	
42	000585	NE ELECTRIC	0.76	-1.3%	2.62	-3.7%	-76.4%	26.18	-	-	1.62	
1072	600875	DONGFANG ELEC	23.40	1.1%	21.68	-2.7%	-12.2%	12.22	11.92	10.60	3.10	
2727	600627	SH ELECTRIC	3.76	-0.3%	5.11	-1.5%	-40.2%	12.99	12.13	10.88	1.41	
2208	002202	GOLDWIND	4.16	-7.1%	7.67	-3.5%	-55.9%	3.42	11.39	11.91	0.69	
350	000666	JINGWEI TEXTILE	3.74	1.1%	9.03	-3.6%	-66.3%	4.25	-	-	0.55	
168	600600	TSINGTAO BREW	41.60	-1.1%	30.93	-2.2%	9.4%	24.02	27.17	22.64	4.42	
719	000756	SHANDONG XINHUA	2.02	0.0%	4.90	-3.4%	-66.5%	7.44	-	-	0.44	
874	600332	GUANGZHOU PHAR	6.07	0.0%	-	-	-	13.79	12.07	10.37	1.09	



2607	601607	SH PHARMA	12.96	0.6%	10.58	-2.0%	-0.4%	15.27	14.24	13.16	2.30
1618	601618	MCC	1.66	-0.6%	2.56	-1.5%	-47.3%	5.19	5.92	4.94	0.56
347	000898	ANGANG STEEL	5.95	-2.9%	4.53	-1.9%	6.8%	-	82.00	23.95	0.66
323	600808	MAANSHAN IRON	2.81	-4.4%	2.52	-1.2%	-9.3%	15.97	38.73	17.71	0.64
1053	601005	CHONGQING IRON	1.13	-3.4%	2.89	-1.7%	-68.2%	69.79	61.25	27.84	0.29
2600	601600	CHALCO	3.57	-3.0%	6.65	-1.9%	-56.3%	58.88	32.25	28.74	0.76
358	600362	JIANGXI COPPER	17.52	-3.0%	22.61	-3.5%	-37.0%	6.75	6.62	6.64	1.31
2899	601899	ZIJIN MINING	3.05	-2.6%	3.96	-2.5%	-37.4%	10.39	8.35	6.89	2.33
914	600585	ANHUI CONCH	22.80	-3.4%	15.28	-3.0%	21.3%	9.49	8.09	8.00	2.46
2009	601992	BBMG	4.96	-3.5%	7.77	-7.9%	-48.1%	5.76	4.49	3.90	0.97
588	601588	BEIJING N STAR	1.18	-0.8%	2.68	-1.1%	-64.2%	2.36	7.38	-	0.24
763	000063	ZTE	24.25	-0.6%	16.65	-2.1%	18.4%	20.15	20.22	16.56	2.45
553	600775	NANJING PANDA	1.34	-1.5%	5.25	-1.3%	-79.2%	13.29	-	-	0.47
317	600685	GUANGZHOU SHIP	5.84	-0.3%	15.03	-2.9%	-68.4%	4.31	4.60	4.19	0.83
1919	601919	CHINA COSCO	4.02	-3.8%	4.38	-2.2%	-25.4%	50.99	-	-	0.77
2866	601866	CSCL	1.74	-1.1%	2.48	-3.5%	-43.0%	6.87	-	-	0.58
1138	600026	CHINA SHIP DEV	4.42	-3.1%	5.84	0.0%	-38.5%	8.60	11.41	8.98	0.54
2880	601880	DALIAN PORT	1.82	-3.2%	2.57	-1.9%	-42.4%	7.70	8.46	7.51	0.53
921	000921	HISENSE KELON	1.37	-2.1%	3.92	0.0%	-71.6%	2.62	4.46	3.71	1.83
1108	600876	LUOYANG GLASS	1.44	-2.0%	5.48	-6.0%	-78.6%	3.70	-	-	3.60
1812	000488	CHENMING PAPER	3.72	-0.8%	4.74	0.0%	-36.2%	5.22	5.31	4.02	0.47

Source: Bloomberg

Analyst Certification and Disclosure

Analyst Certification

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