



Hong Kong/China Market

Technical Strategy

The HK market should continue its recovery, but we expect the HSCEI to outperform the Hang Seng Index...

Market Comment

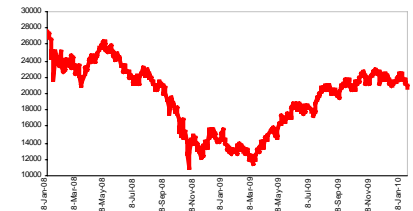
- The HK market traded in a narrow range yesterday before China's CPPCC and NPC meetings. The HSI dropped 29 points, or 0.14%, to 20,876. The HSCEI rose 0.26%, to 12,048. Turnover was HK\$59.9 billion.
- International bank Standard Chartered (2888) rallied 1.72% although its FY09 full year net profit was slightly below market consensus of US\$3.38 billion, compared with analyst estimates of US\$3.5 billion. HSBC (5) was up 1.12% after the sharp decline on Monday.
- Hong Kong property developers were slightly mixed after New World Development (17) and Wheelock Properties (49) won the Austin Station project. The counters gained 0.82% and 0.43% respectively. Sino Land (83) dropped 2.92%.
- Commodity producers gained on rises in metal prices overnight. Maanshan (323) and Chalco (2600) climbed 4.04% and 0.90% respectively. Elsewhere, alternative energy names advanced on speculation that supportive policies will come out of the NPC. Wind power producer Longyuan (916) rose by 4.36% and CHS (658) by 8.73%.
- Overnight US stocks consolidated recent gains and closed flat after a firmer opening on a strong ISM Services Index at 53 (50.5) and ADP reported the lowest job losses for two years at 20,00 in February. The S&P 500 was just 0.05% higher at 1,118.79. Commodities rallied however, led by Oil at US\$80.89 per barrel.

Investment Theme

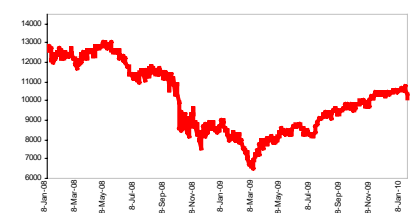
- The HK market seems set to continue its rally on the back of a strong property market, rising commodity prices and likely a weaker USD from now. Favourable news flows from the NPC are also needed though.
- However we expect the HSCEI to outperform as the two HS index heavyweights (HSBC and China Mobile) are out of favour these days.

Indices	Latest	Chg. Pts
HSI	20,877	-29
DJIA	10,397	-9
S&P 500	1,119	0
NASDAQ	2,281	0
H-share	12,048	31
Red-chip	4,065	-44
Shanghai Comp	3,097	24
Shenzhen Comp	1,194	10

HSI - Index performance



DJIA - Index performance





Industry News

- **China Banking Sector:** There will be no changes to the capital adequacy requirement, said Yan Qingmin, head of CBRC Shanghai branch, according to a Bloomberg report. Yan said that big banks' CAR requirements would remain at 11%, and that they should consider "how much the market can withstand" when they raise capital this year.
- **China Property Sector:** China overtook the U.S. as the world's biggest property investment market last year and will probably keep the lead in 2010 on economic growth and a lower reliance on debt, Cushman & Wakefield LLP said according to a Bloomberg report. Real estate investment in China more than doubled to USD156.2bn last year, while the total for the U.S. slumped 64% to USD38.3bn. Excluding residential investments, the U.S. came third after China and the U.K.
- **Hong Kong Banking Sector:** Hong Kong Monetary Authority requires domestic banks to price new home loans above its "reference rate". HKMA set the reference levels at 0.7 of a percentage point above the one-month Hong Kong interbank offered rate and 3.1 percentage points below the prime mortgage rate. Hibor is 0.07964% at present.

Corporate News

- **China Mobile (0941 HK):** China Mobile is in talks to buy a stake in Shanghai Pudong Development Bank Co. to accelerate development of electronic-payment services in China. Details will be disclosed should both sides reach an agreement, China Mobile said.
- **China Life Insurance (2628 HK):** China Life announced that its unaudited accumulated premiums income for Jan10 was Rmb41.8bn, up14.21% yoy.
- **CPIC (2601 HK):** CPIC reported accumulated gross premium income of China Pacific Life Insurance and China Pacific Property Insurance for Jan10 of Rmb8.9bn and Rmb6.6bn, respectively.
- **Standard Chartered Plc (2888 HK):** StandChart reported 4.7% yoy rise in net profit to USD3.279bn for 2009.



- **Jiahua Stores (0602 HK):** Jiahua expects a consolidated net loss for the year 2009, compared with a profit the year before. The loss was attributable to 1) general decline in local consumption power; 2) effects of the renovation of certain existing stores, 3) full write-off of the carrying value of the non-current assets, including both tangible and intangible portions, of two of its stores which had ceased business in Dec09 and Jan10.
- **Hongkong Electric (0006 HK):** Hong Kong Electric reported 16.6% yoy fall in profit to HKD6.697bn.
- **Chong Hing Bank (01111):** CH Bank reported 282% yoy rise in net profit to HKD231.75m.
- **Liu Chong Hing Investment (0194 HK):** LCH Investment reported 70% yoy rise in net profit to HKD356.09m.
- **Asia Financial (0662 HK):** Asia Fin reported profit of HKD330.32m for 2009, compared to a loss of HKD771.35m the year before
- **Smartone Telecom (0315 HK):** Smartone's interim net profit increased by 112% to HKD111m, including two non-recurring items with positive impact of HKD23m.

TECHNICAL STRATEGY

John Schofield CFA, MSTA, MFTA
 (852) 2529 8887
 john@tempusinvestment.com

China Mobile slumped back from its 200-day m.a. yesterday and is essentially trendless, but with risk to the downside. **Stand aside for the time being.**



Source: Thomson Financial Datastream

Maanshan rallied to resistance at HK\$4.05 yesterday and looks ready for a rally to the 200-day m.a. at \$4.95 at least. **Trading buy with a stop loss at HK\$4.75.**



Source: Thomson Financial Datastream

Jiangxi Copper is at resistance from its 200-day m.a. at HK\$16.75 currently but could move up strongly once that is overcome. **Buy on a move above HK\$16.80, stop loss at HK\$16.45.**



Source: Thomson Financial Datastream

TECHNICAL STRATEGY

John Schofield CFA, MSTA, MFTA
 (852) 2529 8887
 john@tempusinvestment.com

Parkson is building support just above its 200-day m.a. and could rally strongly on a move above the 50-DMA at HK\$13.00. Buy or hold with a stop loss at HK\$12.00.



Source: Thomson Financial Datastream

Golden Eagle is trying to cross above its 50-DMA and reverse the short-term downtrend (actually a falling wedge pattern potentially). Buy on a move above HK\$14.50 or hold with a stop loss at HK\$14.00.



Source: Thomson Financial Datastream

Hang Seng Composite Sectors

Sector	Index	Day (%)	Week (%)	MTD (%)	YTD (%)
Hang Seng Index (HSI)	20876.79	-0.14	2.00	1.30	-4.55
Hang Seng Composite	2940.12	-0.13	1.96	1.42	-3.67
HSCI Industrial Goods	1389.32	3.86	5.62	7.23	-0.85
HSCI Services	3455.72	1.14	2.42	2.49	3.30
HSCI Materials	10619.67	0.60	4.87	3.43	-1.87
HSCI Consumer Goods	5154.35	0.37	2.62	2.95	-0.41
HSCI Energy	12322.56	0.29	1.83	1.05	-3.82
HSCI Financials	3333.78	0.17	1.63	1.06	-7.38
HSCI Info Technology	2584.72	0.04	2.30	2.91	-3.17
HSCI Conglomerates	2094.26	-0.21	1.96	1.99	-3.55
HSCI Property & Construction	2794.88	-0.22	4.11	2.80	-4.16
HSCI Utilities	4921.95	-0.55	1.94	1.76	-0.64
HSCI Telecommunication	1556.84	-2.20	-0.53	-1.50	1.80
HS Mainland Composite	3938.51	-0.24	3.12	2.56	-3.70
HS China Enterprises	12048.25	0.26	4.83	4.37	-5.83
HS China H-Financial	16469.64	0.05	5.11	4.60	-6.83
HS China Affiliated Corps	4064.50	-1.07	0.71	0.12	0.11
HS HK Composite	2109.43	0.08	-0.09	-0.57	-3.61
HS HK Large Cap	1676.47	0.31	-0.87	-1.46	-4.77
HS HK MidCap	4485.71	-0.46	2.13	1.80	-0.65
HS HK Small Cap	2336.55	-0.64	0.46	1.22	-0.08

Source: Thomson Financial Datastream

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Disclaimer

This document is prepared by VC Brokerage Limited ("VC") to provide information about the securities mentioned herein. It is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in this document. It should not be regarded by the recipients as a substitute for the exercise of their own judgment. Any prices or levels contained in these pages are indicative and may vary in accordance with changes in market conditions. Investors are warned that the price of any securities may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. No liability is accepted whatsoever for any direct, indirect or consequential loss arising from the use of this document, and no claims, actions or legal proceedings may be brought against VC in connection with this document in any manner whatsoever by any person dealing with the securities and/or the related financial instruments mentioned herein. Any opinions expressed in this document are subject to change without notice. VC is under no obligation to update or keep current the information contained herein. VC and its affiliates, their directors, officers and employees or clients may have or have had interests or long or short positions in the securities or other financial instruments referred to herein, and may at any time make purchases and/or sales in them as principal or agent. VC and its affiliates may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant companies. Employees of VC and its affiliates may serve or have served as officers or directors of the relevant companies.