



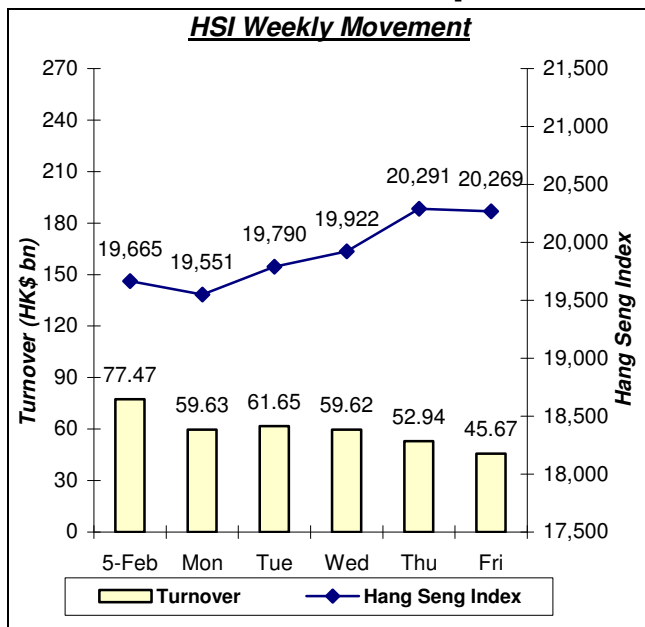
Restricted circulation

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Weekly Report

12th February 2010

Market rebound on possible Greece bailout & tame Chinese CPI



| Weekly Market Statistics | | | | |
|---------------------------------|-----------|-----------|--------|--------|
| Week ended | 12/2/2010 | 05/2/2010 | Change | % |
| Hang Seng Index | 20,269 | 19,665 | +604 | +3.1% |
| HS Red Chip Index | 4,005 | 3,877 | +128 | +3.3% |
| HS China Enterprises Index | 11,536 | 11,132 | +405 | +3.6% |
| HS Composite Index | 2,857 | 2,774 | +84 | +3.0% |
| HS HK Composite Index | 2,066 | 2,012 | +54 | +2.7% |
| HS Mainland Composite Index | 3,812 | 3,693 | +119 | +3.2% |
| Growth Enterprise Index | 722 | 689 | +33 | +4.8% |
| Avg Daily Turnover (HK\$ bn) | 55.9 | 67.3 | -11 | -17.0% |
| Sectoral Indices | | | | |
| Finance | 30,728 | 30,155 | +574 | +1.9% |
| Utilities | 36,646 | 35,823 | +823 | +2.3% |
| Properties | 25,596 | 24,140 | +1,455 | +6.0% |
| Comm & Ind | 11,047 | 10,621 | +427 | +4.0% |

Review & Outlook of Market Performance

The Hang Seng Index recaptured territories above 20,000, thanks to tame January CPI figures in the Mainland as well as signs of EU to bailout the debt-troubled Greece. The blue-chip index ended at 20,268.69, up 603.61 points or 3.07% w-o-w, while the HSCEI rose 3.63% to 11,536.36. Market activities turned subdued before the long Lunar New Year holiday, with the average daily turnover down to HK\$55.9 billion from HK\$67.3 billion in the previous week.

The HSI performed a three-day winning streak from Tuesday to Thursday, after ECB President Jean-Claude Trichet cut short its official trip in Australia to attend a special EU meeting in Brussels, which triggered market speculations that the EU would turn to bail out Greece with its debt burden. However, despite the pledge by European leaders to support Greece, details of any supportive measures for the southern euro-zone country would be only available as early as in the EU summit in March. Meanwhile, China released a set of January economic figures during the week. CPI rose 1.5% in Jan, less than market expectation of a 2% increase, which helped ease fear for an imminent rate hike in the Mainland and added steam into the stock market. Nonetheless, a 4.3% jump in producer prices in Jan had drawn much attention, as it may fuel up inflationary pressure in coming months. On the stock market front, property developers were among the winners, after figures showed the Mainland's new lending remained strong in Jan at RMB1.39 trillion and the rise in CPI stayed contained. Hang Lung Properties rebounded a sharp 10.2% from a week before, while Sino Land leaped 8.0%.

The People's Bank of China surprised the market by raising the required reserve ratio by 50 basis points late on Fri, the second time within a month, which is expected to trigger a sell-off after the long Lunar New Year holiday break. Economists had expected the hike after the long golden week at the earliest, after the tame Jan CPI data. The HSI is expected to tumble below 19,500 next week with support level near 19,000.

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US & Regional Markets Weekly Update

| Date | US Dow Jones | US NASDAQ | JAPAN Nikkei Avg | SINGAPORE STI | MALAYSIA KLSE Index | BANGKOK SET Index | TAIPEI Weighted Index |
|---------------|-----------------|--------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| 12th February | 10,144.19* | 2,177.41* | 10,092.19 | 2,758.90 | 1,253.39 | 698.03 | 7441.84 [^] |
| 5th February | 10,012.23 | 2,141.12 | 10,057.09 | 2,683.56 | 1,247.90 | 691.41 | 7,217.83 |
| Change | +131.96 | +36.29 | +35.10 | +75.34 | +5.49 | +6.62 | +224.01 |
| % | +1.3% | +1.7% | +0.3% | +2.8% | +0.4% | +1.0% | +3.1% |

Remarks: (*) closing as of 11th February 2010; (^) closing as of 10th February 2010

Major Changes in Index Constituent Stocks (Week ended 12th February 2010)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @12/2/2010 | W-O-W Change | | Remarks / Comments |
|---------------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| CNOOC Ltd. | 00883 | HK\$12.18 | +HK\$0.58 | +5.00% | CNOOC outperformed the HSI for the second straight week, after the oil producer said it founded the third major deepwater gas field with Husky Energy. |
| HSBC Holdings | 00005 | HK\$80.75 | +HK\$0.05 | +0.06% | HSBC failed to ride on the latest market rebound, as investors worried that the banking giant may have a significant bond holding exposure to the debt-troubled Greece. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @12/2/2010 | W-O-W Change | | Remarks / Comments |
|---------------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Datang Power | 00991 | HK\$3.57 | +HK\$0.15 | +4.39% | China's total power consumption jumped more than 40% y-o-y to 353 billion Kwh in Jan and was up 2.7% from Dec, partly distorted by the Lunar New Year in Jan 2009 (vs Feb 2010). Meanwhile, Datang said its parent company purchased 124 million H shares in the open market on Thu, boosting its total (A & H) share holdings to 36.65% from 35.60%. Datang's parent also claimed that it would continue to raise its stake in Datang in 2010 but the overall purchase for 2010 would not be higher than 2% of the total issued share capital. |
| Huaneng Power | 00902 | HK\$4.73 | +HK\$0.24 | +5.35% | |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @12/2/2010 | W-O-W Change | | Remarks / Comments |
|--------------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| China Unicom | 00762 | HK\$8.90 | +HK\$0.59 | +7.10% | China Unicom outperformed its rivals during the week, after the country's second largest mobile carrier said it will explore investments in Asia and Africa with its Spain-based strategic investor Telefonica. |

**Summary of US Economic News**

| Indicator | Change/Index | Comments |
|---|--------------------------|--|
| Wholesale inventories – December 2009 | -0.8% | Wholesale inventories fell 0.8% in Dec, vs an expected 0.5% rise, which showed merchants remained cautious about economic recovery and were reluctant in rebuilding their inventories. |
| Trade balance – December 2009 | US\$40.2 billion deficit | US trade deficit surged to US\$40.2 billion in Dec, the highest in a year and above market expectation of US\$36 billion. Trade deficit stood at US\$36.4 billion in Nov. |
| Initial jobless claims – week ended 6 th Feb 2010 | -43,000 | Initial jobless claims fell 43,000 in the previous week to 440,000, much better than consensus forecast of a drop to 465,000. |

Forthcoming Important Announcements / Events

| | | | |
|--|----|---|--|
| 15 th February 2010 (Monday) | HK | : | Market holiday – Lunar New Year |
| | US | : | No important announcement/event |
| 16 th February 2010(Tuesday) | HK | : | Market holiday – Lunar New Year |
| | US | : | Kraft Foods – Q4 2009 results Merck & Co., Inc. – Q4 2009 results |
| 17 th February 2010 (Wednesday) | HK | : | No important announcement/event |
| | US | : | Housing starts – January 2010 Industrial production – January 2010 Hewlett Packard – Q1 2009/10 results |
| 18 th February 2010 (Thursday) | HK | : | Unemployment statistics – January 2010 Hutchison Telecommunications Int'l (02332) – final results |
| | US | : | Producer price index – January 2010 Initial jobless claims – the week ended 13 th February 2010 Index of leading economic indicators – January 2010 Wal-Mart Stores, Inc. – Q4 2009/10 results |
| 19 th February 2010 (Friday) | HK | : | Sino Resources (00223) – interim results Top Form (00333) – interim results Ruinian International (02010) – trading debut |
| | US | : | Consumer price index – January 2010 |



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