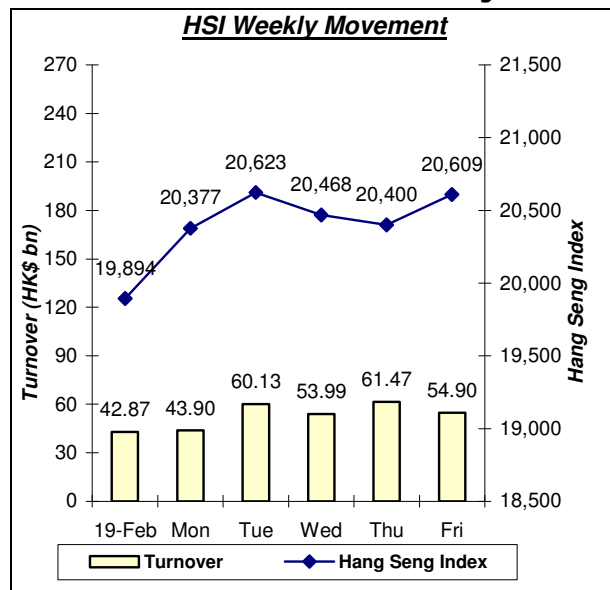


Restricted circulation

Analyst: Paul Sham

Weekly Report

 26th February 2010

HSI fuelled by favourable land auction result


Weekly Market Statistics

Week ended	26/2/2010	19/2/2010	Change	%
Hang Seng Index	20,609	19,894	+715	+3.6%
HS Red Chip Index	4,060	3,917	+143	+3.6%
HS China Enterprises Index	11,544	11,264	+280	+2.5%
HS Composite Index	2,899	2,805	+94	+3.4%
HS HK Composite Index	2,122	2,045	+77	+3.8%
HS Mainland Composite Index	3,840	3,723	+117	+3.1%
Growth Enterprise Index	741	710	+31	+4.4%
Avg Daily Turnover (HK\$ bn)	54.9	38.7	+16	+42.0%
Sectoral Indices				
Finance	31,277	30,303	+973	+3.2%
Utilities	36,996	36,567	+429	+1.2%
Properties	26,462	24,807	+1,655	+6.7%
Comm & Ind	11,178	10,786	+393	+3.6%

Review & Outlook of Market Performance

The Hang Seng Index kicked off the week by rebounding 2.43% on Monday, boosted by property shares following strong results at a government land auction that boosted the outlook for the Hong Kong property sector. In addition, US Federal Reserve chairman Ben Bernanke told the Congress that a weak job market and low inflation would likely allow the central bank to keep interest rates at low level for an extended period and his speech helped fuel the market. The HSI eventually closed up 715 points, or 3.59% w-o-w, at 20,608.70. Average daily turnover resumed to the pre-holiday level at HK\$54.9 billion from HK\$38.7 billion last week.

During the week, property counters were among the top gainers as SHK Properties won in a government land auction for a site in Tseung Kwan O on Monday. The winning bid of HK\$3.37 billion was about 69% of the initial asking price of HK\$2.0 billion and higher than market expectations of HK\$2.9 billion. Together with the encouraging sales performance at SHK Properties' Yoho Midtown in Yuen Long, the property counters were all traded higher this week. SHK Properties, the winning bidder, surged 7.69% w-o-w to HK\$107.80. Sino Land, whose net profit rose 64% y-o-y in its interim results, jumped 13.8% to HK\$14.72. Henderson Land also rallied 7.92% w-o-w to HK\$52.45.

Financial Secretary John Tsang delivered his third budget address on Wednesday, but the stock market did not react much as the report lacked for positive surprises. Tsang said the local economy achieved y-o-y growth of 2.6% in the fourth quarter, after contracting for four consecutive quarters. For 2009 as a whole, gross domestic product dropped by 2.7%, compared with a 2.5% increase in a year earlier. The local economy would likely expand 4% to 5% this year, as the city gradually overcomes the impact of the global financial crisis.

Meanwhile, blue-chip company results reporting season has started, which may dominate the market direction. It is expected that HSBC and Hang Seng Bank should be able to deliver encouraging results on the coming Monday, lending support to the stock market. The HSI is expected to test the 20,100 level next week.

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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
26th February	10,321.03*	2,234.22*	10,126.03	2,750.86	1,270.78*	721.37	7,436.10
19th February	10,402.35	2,243.87	10,123.58	2,757.14	1,257.67	700.44	7,441.84^
Change	-81.32	-9.65	+2.45	-6.28	+13.11	+20.93	-5.74
%	-0.8%	-0.4%	+0.0%	-0.2%	+1.0%	+3.0%	-0.1%

Remarks: (*) closing as of 25th February 2010; (^) closing as of 10th February 2010

Major Changes in Index Constituent Stocks (Week ended 26th February 2010)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @26/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Foxconn International	02038	HK\$7.96	-HK\$0.14	-1.73%	Media reported that Chinese authorities requested about 10 foreign firms including Nokia, Samsung, Motorola and Foxconn to conduct and pay the required tax after they conducted their own taxation reviews.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Ping An Insurance	02318	HK\$59.20	-HK\$0.35	-0.59%	Ping An Insurance was hit by a selling frenzy after announcing that a previously non-tradable block of 11.7% of its stock would become tradable starting from 1 st March 2010.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @26/2/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	01109	HK\$16.16	+HK\$1.20	+8.02%	Rating agency Standard & Poor's issued a "Neutral" report on the PRC real estate sector forecasting that the PRC developers would not face any severe downturn in the coming two years.
China Overseas	00688	HK\$15.74	+HK\$1.16	+7.96%	
Sino-Ocean Land	03377	HK\$6.86	+HK\$0.41	+6.36%	
China Unicom	00762	HK\$9.31	+HK\$0.78	+9.14%	The second-biggest mobile-phone company in the PRC topped its peers in HSCCI after Deutsche Bank AG had raised its rating to "Buy" from "Sell" and increased its estimated share price by 78% to HK\$13.



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – February 2010	46.0	The consumer confidence index fell back in a surprising and sizable way, down nearly 10 points to 46.0 in February (January revised to 56.5), much worse than the expectations of 55.0.
New Home Sales – January 2010	-33,000	New home sales fell to a much lower-than-expected annual rate of 309,000 in January. The median sales price also dropped 2.4% from January 2009 and the supply of unsold homes increased.
Durable Goods Orders - January 2010	+3.0%	The new orders for durable goods in January posted a healthy 3.0% gain, following a revised 1.9% rebound in December. The latest number topped expectations, compared to analysts' forecasts for a 1.5% boost.
Initial jobless claims – week ended 20 th February 2010	+23,000	Initial jobless claims surprisingly jumped to 496,000 last week, the highest level since November 2009. The four-week average of 473,750 (+6,000) was also the highest since November 2009.

Forthcoming Important Announcements / Events

1 st March 2010 (Monday)	HK	:	HSBC Holdings (00005) – final results Hang Seng Bank (00011) – final results Guoco Group (00053) – final results Kingboard Chemical Holdings (00148) – final results Sands China (01928) – final results Z-Obee (00948) – trading debut
	US	:	Personal Income and Outlays – January 2010 ISM Mfg Index – February 2010 Construction Spending – January 2010
2 nd March 2010 (Tuesday)	HK	:	Lam Soon (Hong Kong) (00411) – interim results
	US	:	Motor Vehicle Sales – February 2010
3 rd March 2010 (Wednesday)	HK	:	Hongkong Electric Holdings (00006) – final results SmarTone Telecommunications (00315) – interim results Asia Financial Holdings (00662) – final results Chong Hing Bank (01111) – final results Standard Chartered PLC (02888) – final results GCL-Poly Energy (03800) – final results
	US	:	ISM Non-Mfg Index – February 2010 ADP Employment Report – February 2010
4 th March 2010 (Thursday)	HK	:	Hong Kong Exchanges and Clearing (00388) – final results Maoye International (00848) – final results Cheung Kong Infrastructure (01038) – final results Retail Sales Statistics – January 2010
	US	:	Initial jobless claims – the week ended 27 th February 2010 Productivity and Costs – Q4 2009 Factory Orders – January 2010 Pending Home Sales – January 2010
5 th February 2010 (Friday)	HK	:	Real Gold Mining (00246) – final results Hutchison Harbour Ring (00715) – final results
	US	:	Employment Situation – February 2010 Consumer Credit – January 2010



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