



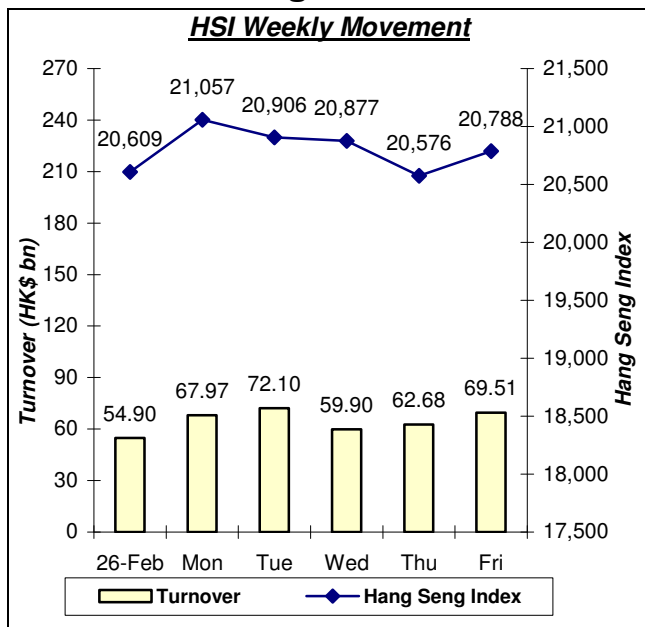
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Analyst: Kelvin Li

Weekly Report

5th March 2010

HSI surged on PRC banks but HSBC, China Mobile dragged



| Weekly Market Statistics | | | | |
|---------------------------------|-----------|-----------|--------|--------|
| Week ended | 05/3/2010 | 26/2/2010 | Change | % |
| Hang Seng Index | 20,788 | 20,609 | +179 | +0.9% |
| HS Red Chip Index | 4,031 | 4,060 | -29 | -0.7% |
| HS China Enterprises Index | 11,927 | 11,544 | +384 | +3.3% |
| HS Composite Index | 2,934 | 2,899 | +35 | +1.2% |
| HS HK Composite Index | 2,121 | 2,122 | -0 | -0.0% |
| HS Mainland Composite Index | 3,914 | 3,840 | +74 | +1.9% |
| Growth Enterprise Index | 750 | 741 | +9 | +1.1% |
| Avg Daily Turnover (HK\$ bn) | 66.4 | 54.9 | +12 | +21.0% |
| Sectoral Indices | | | | |
| Finance | 31,357 | 31,277 | +80 | +0.3% |
| Utilities | 38,055 | 36,996 | +1,059 | +2.9% |
| Properties | 27,046 | 26,462 | +585 | +2.2% |
| Comm & Ind | 11,300 | 11,178 | +121 | +1.1% |

Review & Outlook of Market Performance

The Hang Seng Index ended higher from a week before, after a bumpy ride amid the annual parliament session in the Mainland. Reviving PRC banks on eased tightening worries helped support the blue-chip index, but it was somehow offset by share-price weakness in bellwethers HSBC and China Mobile following their disappointing earnings results and a rare bank investment plan, respectively. Over the week, the HSI gained 179 points or 0.87% to 20,787.97, while the HSCEI surged a sharp 3.32% to 11,927.37. The daily average of Mainboard turnover was higher at HK\$66.4 billion, compared with that of HK\$54.9 billion in the previous week, as HSBC and China Mobile were heavily traded.

PRC banking plays staged a decent rebound during the week, after Premier Wen said in his Work Report during the National People's Congress (NPC) that China will keep an appropriately loose monetary stance and a proactive fiscal policy in 2010 in order to achieve its 8% GDP growth target this year. Besides, an official inflation target of 3% was also introduced in the Report, which came slightly below market expectations and eased tightening worries. ICBC rebounded 5.65% w-o-w, while China Construction Bank surged a robust 3.92%. Nonetheless, the HSI's performance was largely offset by weakness of the two top heavyweights in the blue-chip index. HSBC, down 4.77% w-o-w, reported a tame 1.9% y-o-y rise in 2009 net profit on Monday, which came well below consensus forecast and triggered a deep sell-off in the stock on Tuesday. Meanwhile, China Mobile revealed that it is planning to invest a hefty RMB40 billion into Shanghai Pudong Development Bank to expand its e-payment business. The deal drew much criticism from both analysts and investors, as it seemed to have deviated from the company's original business strategy. China Mobile tumbled 4.77% w-o-w and was the worst performer in the HSI during the week.

The reporting season continues, but investors would also keep eyes on the NPC to see whether officials would shed lights on future policy changes. Rotational buying in different market segments in light of decent 2009 results is expected to promote near-term support to the HK stock market, while the HSI is seen revisiting the 21,000 level in the coming 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 |
|---------------|-----------------|--------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| 5th March | 10,444.14* | 2,292.31* | 10,368.96 | 2,790.29 | 1,299.78 | 723.96 | 7,666.26 |
| 26th February | 10,325.26 | 2,238.26 | 10,126.03 | 2,750.86 | 1,270.78^ | 721.37 | 7,436.10 |
| Change | +118.88 | +54.05 | +242.93 | +39.43 | +29.00 | +2.59 | +230.16 |
| % | +1.2% | +2.4% | +2.4% | +1.4% | +2.3% | +0.4% | +3.1% |

Remarks: (*) closing as of 4th March 2010**Major Changes in Index Constituent Stocks (Week ended 5th March 2010)****Hang Seng Index (HSI)**

| Stock | Stock Code | Closing Price @5/3/2010 | W-O-W Change | | Remarks / Comments |
|---------------|------------|-------------------------|--------------|--------|---|
| | | | Absolute | % | |
| HSBC Holdings | 00005 | HK\$81.80 | -HK\$4.05 | -4.72% | HSBC was hard hit, after the banking bellwether reported a disappointing 1.9% rise in 2009 net profit on a fair value loss on its own long-term debt. Dividend payout also disappointed some investors, with the 2009 full-year payout at US\$0.34 per share, down by nearly half from 2008. |
| China Mobile | 00941 | HK\$72.95 | -HK\$3.65 | -4.77% | Share price of China Mobile was under pressure, after the country's largest mobile carrier revealed it is planning to buy a significant stake in Shanghai Pudong Development Bank (SPDB) in order to expand new business area of e-payments. Analysts questioned the proposed deal, as SPDB was only a mid-tier bank in China and the sizable investment may imply flat dividend payout in the near future. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @5/3/2010 | W-O-W Change | | Remarks / Comments |
|----------------|------------|-------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Jiangxi Copper | 00358 | HK\$16.32 | +HK\$0.54 | +3.42% | Jiangxi Copper was lifted by speculative buying, as copper price may go up on tight global supply, after Chile, the world's largest copper producer, was hit by earthquake. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @5/3/2010 | W-O-W Change | | Remarks / Comments |
|--------------|------------|-------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Unicom | 00762 | HK\$9.71 | +HK\$0.40 | +4.30% | China Unicom outperformed its bigger rival China Mobile, as investors switched away from the top PRC mobile carrier amid growing skeptics about its proposed plan to invest into Shanghai Pudong Development Bank. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|--------------|---|
| Personal income – January 2010 | +0.1% | Personal income rose at a weaker-than-expected pace of 0.1% in Jan, while spending surged a solid 0.5%, higher than a forecast of a 0.4% rise. |
| Construction spending – January 2010 | -0.6% | Construction spending fell 0.6% in Jan, marking the third straight month of decline but better than consensus forecast of a 0.7% drop. |
| ISM manufacturing index – February 2010 | 56.5 | The ISM manufacturing index fell to 56.5 in Feb from 58.4 in Jan, but higher than an expected 57.5. |
| ISM non-manufacturing index – February 2010 | 53.0 | The ISM non-manufacturing index surged to 53.0 in Feb from 50.5 in Jan. It was higher than consensus forecast of 51 and also the highest since Jan 2008, implying solid growth in the US services sector. |
| Initial jobless claims – week ended 27 th Feb 2010 | -29,000 | Initial jobless claims fell 29,000 w-o-w in the week ended 27 th Feb, largely in line with expectations. |
| Productivity (revised) – Q4 2009 | +6.9% | Productivity grew 6.9% in Q4, higher than an expected rise of 6.2%, which helped contain worries over future inflation. |
| Factory orders – January 2010 | +1.7% | Factory orders surged 1.7% in Jan, marking the ninth m-o-m rise in ten months and the best performance since Sep 2009. |

Forthcoming Important Announcements / Events

| | | | |
|---|----|---|---|
| 8 th March 2010 (Monday) | HK | : | Want Want China (00151) – final results Hutchison Telecom Hong Kong (00215) – final results Dah Chong Hong (01828) – final results |
| | US | : | No important announcement/event |
| 9 th March 2010(Tuesday) | HK | : | PCCW (0008) – final results Hong Kong Aircraft Engineering Co. (00044) – final results MTRC (00066) – final results Fubon Bank (Hong Kong) (00636) – final results Pacific Century Premium Developments (00432) – final results Lifestyle International (01212) – final results |
| | US | : | No important announcement/event |
| 10 th March 2010 (Wednesday) | HK | : | Hysan Development (00014) – final results China Everbright International (00257) – final results CITIC Pacific (00267) – final results Cathay Pacific Airways (00293) – final results Tom Group (2383) – final results |
| | US | : | Wholesale inventories – January 2010 |
| 11 th March 2010 (Thursday) | HK | : | Sun Hung Kai Properties (00016) – interim results Swire Pacific (00019) – final results SOHO China (00410) – final results Taifook Securities (00665) – interim results Value Partners Group (00806) – final results |
| | US | : | Initial jobless claims – the week ended 3 rd March 2010 Trade balance – January 2010 |
| 12 th March 2010 (Friday) | HK | : | Hongkong and Shanghai Hotels (00045) – final results Shenyin Wanguo (00218) – final results San Miguel Brewery Hong Kong (00236) – final results i-CABLE Communications (01097) – final results China Shenhua Energy (01088) – final results BYD Company (01211) – final results |
| | US | : | Retail sales – February 2010 Consumer sentiment – March 2010 Business inventories – January 2010 |



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