BEA securities

EAST ASIA SECURITIES COMPANY LIMITED
9/F, 10 Des Voeux Road Central, Hong Kong.
Dealing: 3608 8000 Research: 3608 8098 Facsimile: 3608 6113

HONG KONG RESEARCH

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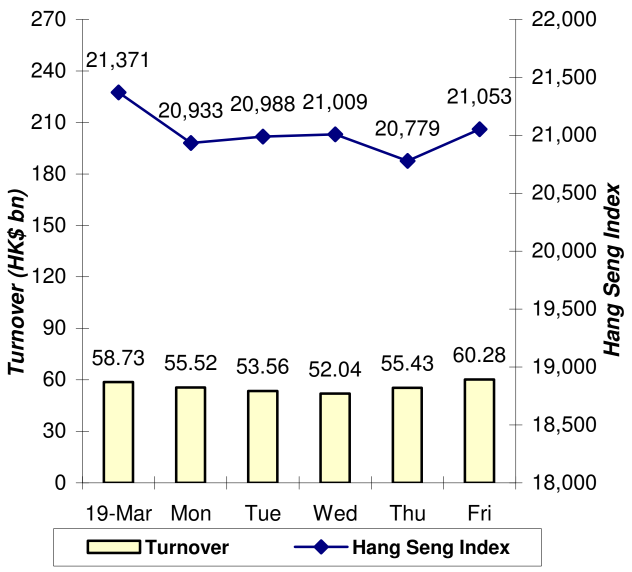
Analyst: Kelvin Li

Weekly Report
26th March 2010

HSI capped near 21,000 amid cautious sentiment ahead of EU summit

HSI Weekly Movement



Weekly Market Statistics

Week ended	26/3/2010	19/3/2010	Change	%
Hang Seng Index	21,053	21,371	-318	-1.5%
HS Red Chip Index	4,074	4,143	-69	-1.7%
HS China Enterprises Index	12,050	12,262	-212	-1.7%
HS Hong Kong 35 Index	2,233	2,244	-11	-0.5%
HS Mainland 100 Index	6,738	6,852	-114	-1.7%
Growth Enterprise Index	807	781	+26	+3.3%
Avg Daily Turnover (HK$ bn)	55.4	57.2	-2	-3.2%
Sectoral Indices				
Finance	31,441	31,996	-556	-1.7%
Utilities	39,243	39,234	+9	+0.0%
Properties	28,200	28,355	-155	-0.5%
Comm & Ind	11,458	11,652	-194	-1.7%

Review & Outlook of Market Performance

Hong Kong equities traded lower on thin volume, as investors stayed cautious ahead of the EU summit on Thursday to see whether euro-zone countries would join hands to bail out the debt-troubled Greece. The stock market staged a slight rebound on Friday, after EU leaders agreed with International Monetary Fund (IMF) to aid Greece, despite no details of the bail-out package was disclosed. The Hang Seng Index fell 1.5% w-o-w to 21,053.11, while the HSCEI eased 1.7% to 12,050.33. Mainboard turnover dropped to a daily average of HK$55.4 billion, compared with that of HK$57.2 billion in the previous week.

The HK stock market was dragged by lack of buying interest before the EU summit. Besides, the market was also depressed by rumours that Beijing may hike required reserve ratio again during this weekend as well as fund-raising talks from Mainland banking giants ICBC and China Construction Bank. Market sentiment improved on Friday after an agreement was reached in the EU summit. It was also supported by the successful debt restructuring of Dubai World announced in the meantime. Over the week, ICBC and CCB underperformed their smaller peers, down 3.55% and 2.72% w-o-w, respectively, amid market talks they would join with other PRC banks to raise fund via bond/share issuance to replenish their capital. Li & Fung, China Unicom and PetroChina were also down by some 5%-11%, as their respective 2009 results missed market expectations. Meanwhile, Huiyin Household Appliances gained a hefty 44% on its trading debut on Thursday, the best-performing IPO so far this year, as investors remained bullish on China consumer plays.

Market turnover is seen reviving next week, amid the expiry of March HSI futures and the long Easter holiday break next weekend. The blue-chip index is expected to trade higher, as investors would be back in the market following the EU summit. Meanwhile, the state statistics bureau said late on Friday that industrial profit rebounded sharply y-o-y in Jan-Feb 2010, especially oil & gas, coal and power industries, which should also lend support to share prices of major China plays.

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 March	10,841.21*	2,397.41*	10,996.37	2,906.28	1,315.14	778.86	7,876.86
19th March	10,741.98	2,374.41	10,824.72	2,915.70	1,296.60	774.59	7,897.91
Change	+99.23	+23.00	+171.65	-9.42	+18.54	+4.27	-21.05
%	+0.9%	+1.0%	+1.6%	-0.3%	+1.4%	+0.6%	-0.3%

Remarks: (*) closing as of 25th March 2010

Major Changes in Index Constituent Stocks (Week ended 26th March 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/3/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	00494	HK$37.15	-HK$4.50	-10.80%	Li & Fung was the biggest loser in the blue-chip index, after it reported a 5.6% y-o-y drop in revenue in 2009, which failed to impress analysts and investors. In fact, share prices also retreated on the counter's excessive valuation, following a strong rally since its 2009 interim results announcement.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/3/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	00753	HK$7.49	-HK$0.41	-5.19%	Air China announced during the weekend to inject RMB682 million for an additional 26% stake in Shenzhen Airlines (SZA). Upon completion, Air China will hold a 51% interest in SZA, while SZA will become a subsidiary of Air China. Investors worried that consolidation of battered financials of SZA might drag on Air China, despite the low price tag for the takeover. Besides, investors also worried that Air China might have to write down profit from associates in the previous years on fault reporting in Shenzhen Airlines.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @26/3/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotruk	03808	HK$8.23	-HK$1.09	-11.70%	Sinotruk was the biggest loser in the HSCCI during the week, after the heavyduty truck manufacturer reported an unexciting 9.5% y-o-y rise in 2009 net profit, despite a strong automobile market in the Mainland last year.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing home sales – February 2010	-0.6%	Existing home sales fell for the 3rd straight month in Feb, down by 0.6% to an annual rate of 5.02 million units, marking the lowest level in eight months.
Durable goods orders – February 2010	+0.5%	Durable goods orders rose 0.5% in Feb, up for the third straight month, as companies rebuilt their inventories.
New home sales – February 2010	-2.2%	New home sales fell 2.2% to an annual rate of 380,000 in Feb, the lowest in record since 1963
Initial jobless claims – week ended 20th Mar 2010	-14,000	Initial jobless claims fell 14,000 to 442,000 last week, better than consensus forecast of 450,000.

Forthcoming Important Announcements / Events

29th March 2010 (Monday)	HK	:	Wing Hang Bank (00302) – final results China Foods (00506) – final results SJM Holdings (00880) – final results CPMC Holdings (00906) – final results Anhui Conch Cement (00914) – final results Yingde Gases (02168) – final results
	US	:	Personal income and spending – February 2010
30th March 2010(Tuesday)	HK	:	Retail sales – February 2010 Cheung Kong (Holdings) (00001) – final results Henderson Land Development (00012) – final results Hutchison Whampoa (00013) – final results Henderson Investment (00097) – final results Chinese Estates (00127) – final results Maanshan Iron & Steel (00323) – final results Jiangxi Copper (00358) – final results China Communications Services (00552) – final results China Agri-Industries (00606) – final results China Longyuan Power (00916) – final results Lianhua Supermarket (00980) – final results COSCO Pacific (01199) – final results Country Garden (02007) – final results Nine Dragons Paper (02689) – interim results China Oilfield Services (02883) – final results Zijin Mining (02899) – final results Bank of Communications (03328) – final results
	US	:	Consumer confidence – March 2010 Factory orders – February 2010
31st March 2010 (Wednesday)	HK	:	China Merchants (00144) – final results Shanghai Industrial (00363) – final results CNOOC Ltd (00883) – final results
	US	:	No important announcement/event
1st April 2010 (Thursday)	HK	:	No important announcement/event
	US	:	Initial jobless claims – the week ended 27th March 2010 Construction spending – February 2010 ISM manufacturing index – March 2010
2nd April 2010 (Friday)	HK	:	Good Friday holiday
	US	:	Good Friday holiday Non-farm payrolls – March 2010

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