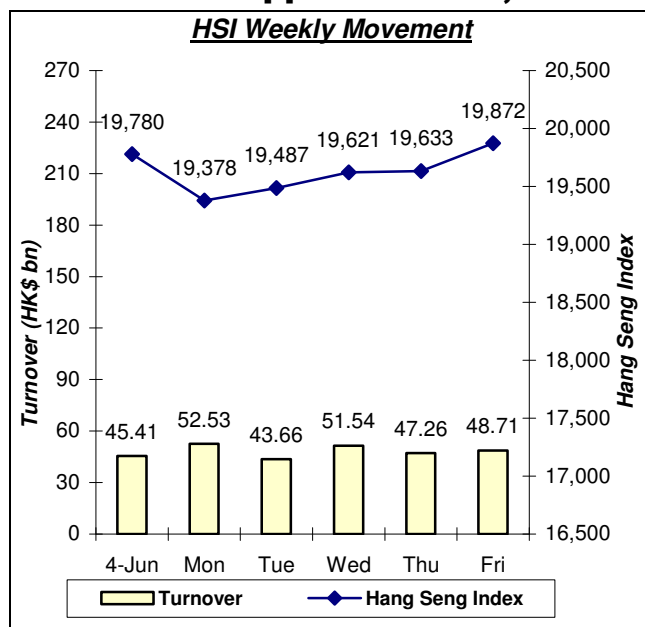


## HSI approached 20,000 on strong economic data in China



**Weekly Market Statistics**

Week ended	11/6/2010	04/6/2010	Change	%
Hang Seng Index	19,872	19,780	+92	+0.5%
HS Red Chip Index	3,696	3,683	+13	+0.3%
HS China Enterprises Index	11,340	11,376	-35	-0.3%
HS Hong Kong 35 Index	2,023	2,010	+12	+0.6%
HS Mainland 100 Index	6,361	6,355	+6	+0.1%
Growth Enterprise Index	794	780	+14	+1.8%
Avg Daily Turnover (HK\$ bn)	48.7	49.9	-1	-2.3%
<b>Sectoral Indices</b>				
Finance	30,073	30,098	-25	-0.1%
Utilities	39,570	38,696	+873	+2.3%
Properties	24,999	24,726	+272	+1.1%
Comm & Ind	10,736	10,657	+79	+0.7%

### Review & Outlook of Market Performance

Hong Kong equities recovered much of the early losses and closed the week slightly higher, supported by a strong set of economic data from the Mainland. The Hang Seng Index hit a low near 19,200 on Monday, as news had reported Hungary might be hit by the European debt woes. Nonetheless, the HK stock market gradually gathered pace, following the Mainland's robust exports data, positive comments on the economy by Federal Reserve chief Bernanke and a decent rebound in the Dow on Thursday. Over the week, the blue chip index gained 92 points or 0.5% to 19,872.38, after flashing near 20,000 on Friday, while the HSCEI dipped 0.3% to 11,340.38. Trading volume stayed thin, with a daily average Mainboard turnover of HK\$48.7 billion, down slightly from HK\$49.9 billion a week earlier.

China released its May economic data during the week. Exports jumped a sharp 48.5% from a year earlier in May, much stronger than the consensus forecast of a 32% rise. On a month-on-month basis, exports were up by 10.9% (seasonally adjusted). Besides, figures also showed that the consumer price index (CPI) rose 3.1% in May, slight above forecast of 3.0%, while new RMB loans amounted to RMB639 billion last month, in line with market expectations of RMB600 billion. The rise in May CPI, which was higher than Beijing's full-year target of 3%, led to worries over rising inflationary pressure. But the State statistics bureau tried to calm the market by claiming the leap in CPI was due to a low-base comparison from the same period last year. On the stock market front, a deep sell-off in online gaming operator Tencent drew much market attentions during the week. Shares of Tencent tumbled a sharp 11.9% w-o-w with active volume, as investors turned bearish on its business outlook after a disappointing earnings report from its major rival and a possible launch of the integration of Internet, telecom & broadcasting networks in China triggering greater industry competition.

Trading activities are expected to remain subdued next week, as the Mainland stock market will take a long holiday break (Tuen Ng Festival or Dragon Boat Festival), and reopen on next Thursday. The HSI is seen consolidating near 19,600-20,000, before Beijing could shed more lights on the policy outlook.

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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
11th June	10,172.53*	2,218.71*	9,705.25	2,796.29	1,294.67	769.55	7,299.49
4th June	9,931.97	2,219.17	9,901.19	2,813.57	1,294.59	771.48	7,344.59
Change	+240.56	-0.46	-195.94	-17.28	+0.08	-1.93	-45.10
%	+2.4%	-0.0%	-2.0%	-0.6%	+0.0%	-0.3%	-0.6%

Remarks: (\*) closing at of 10<sup>th</sup> June 2010**Major Changes in Index Constituent Stocks (Week ended 11<sup>th</sup> June 2010)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @11/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Tencent	00700	HK\$132.90	-HK\$18.00	-11.93%	Tencent saw a deep selling pressure this week, following disappointing results from its major rival Shanda Interactive. Tencent is the largest online game operator in the Mainland with a market share of about 25%, followed by Shanda's 21%. Meanwhile, market watchers also attributed the poor performance of Tencent to arbitrage trading activities, as a great deal of in-the-money OTC convertible bonds are due to expire soon.
Foxconn	02038	HK\$5.57	-HK\$0.42	-7.01%	Investors worried that the latest pay rise in its Shenzhen would hurt profit margin.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @11/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Dongfeng Group	00489	HK\$8.11	-HK\$0.82	-9.18%	The auto maker was under pressure, after industry data showed the y-o-y growth of passenger car sales in the PRC slowed down to 26% in May from 33% in Jun. Investors also worried that staff costs may rise in coming years, following a worker strike for better pay in a Honda parts plant in Foshan, Guangdong province.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @11/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	00941	HK\$77.20	+HK\$3.35	+4.54%	Mobile operators were among the winners, amid rumors that the Mainland would soon kick off the integration of Internet, telecom & broadcasting networks, which is expected to boost value-added services usage and enhance probability of mobile operators.
China Unicom	00762	HK\$9.43	+HK\$0.21	+2.28%	

**Summary of US Economic News**

Indicator	Change/Index	Comments
Wholesale inventories – April 2010	+0.4%	Wholesale inventories rose 0.4% m-o-m in Apr, up for the fourth straight month but slightly below consensus forecast of a 0.5% rise.
Initial jobless claims – week ended 5 <sup>th</sup> June 2010	-3,000	Initial jobless claims fell 3,000 last week to 456,000, higher than market consensus of a drop to 450,000.
Trade balance – April 2010	US\$40.3 billion deficit	Trade deficit surged to a 16-month high in Apr at US\$40.3 billion, amid a 0.4% drop in exports and a 0.6% fall in imports during the month.

**Forthcoming Important Announcements / Events**

14 <sup>th</sup> June 2010 (Monday)	HK	:	Far East Consortium International (00035) – final results VTech Holdings (00303) – final results Eco-Tek Holdings (08169) – interim results Sau San Tong (08200) – final results Eternite International (08351) – final results
	US	:	No important announcement/event
15 <sup>th</sup> June 2010 (Tuesday)	HK	:	Yue Yuen Industrial (00551) – interim results Ming Fung Jewellery (00860) – interim results Water Oasis Group (01161) – interim results Pou Sheng International (03813) – interim results Grand T G Gold Holdings (08299) – final results
	US	:	Export and import prices – May 2010 Best Buy Co., Inc. – Q1 FY2010/11 results
16 <sup>th</sup> June 2010 (Wednesday)	HK	:	Tuen Ng Festival holiday
	US	:	Housing starts – May 2010 Producer price index – May 2010 Industrial production – May 2010 FedEx – Q4 2010 results
17 <sup>th</sup> June 2010 (Thursday)	HK	:	Unemployment statistics – March-May 2010 Sparkle Roll Group (00970) – final results
	US	:	Initial jobless claims – the week ended 12 <sup>th</sup> June 2010 Consumer price index – May 2010 Current account balance – Q1 2010 Index of leading economic indicators – May 2010
18 <sup>th</sup> June 2010 (Friday)	HK	:	Oriental Press Group (00018) – final results Melbourne Enterprises (00158) – final results Huabao International Holdings (00336) – final results Huafeng Group (00364) – interim results CSI Properties (00497) – final results Cheong Ming Investments (01196) – final results China Sonangol Resources Enterprise (01229) – final results BEP International (02326) – final results Rojam Entertainment (08075) – final results ITE (Holdings) (08092) – final results Ming Kei Holdings (08239) – final results Oriental City Group (08325) – final results
	US	:	No important announcement/event



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