

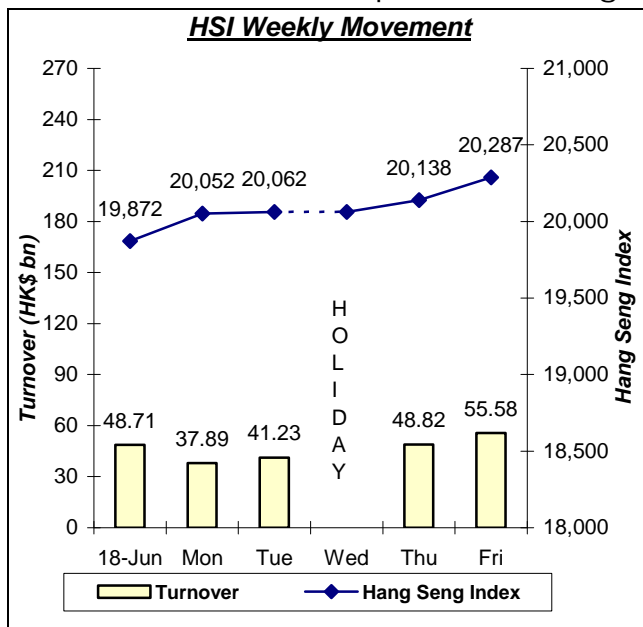
Restricted circulation

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Weekly Report

 18th June 2010

HSI ended up for 8th straight day as Europe concern eases



Weekly Market Statistics

Weekended	18/6/2010	11/6/2010	Change	%
Hang Seng Index	20,287	19,872	+414	+2.1%
HS Red Chip Index	3,830	3,696	+134	+3.6%
HS China Enterprises Index	11,623	11,340	+282	+2.5%
HS Hong Kong 35 Index	2,068	2,023	+45	+2.2%
HS Mainland 100 Index	6,538	6,361	+178	+2.8%
Growth Enterprise Index	800	794	+6	+0.8%
Avg Daily Turnover (HK\$ bn)	45.9	48.7	-3	-5.9%
Sectoral Indices				
Finance	30,701	30,073	+628	+2.1%
Utilities	40,154	39,570	+584	+1.5%
Properties	25,712	24,999	+713	+2.9%
Comm&Ind	10,946	10,736	+210	+2.0%

Review & Outlook of Market Performance

Hong Kong shares climbed above 20,000 level on Monday, tracking gains on Wall Street, as US consumer confidence jumped to its highest level since January 2008. Investors were also cheered by the news that the Spanish government successfully sold 3.5 billion euros of bonds on Thursday, signalling the stabilization of Europe's debt crisis. The benchmark HSI eventually closed at 20,286.71, up 2.1% w-o-w. Nevertheless, trading volume remained tepid with average daily turnover down to HK\$45.9 billion from last week's HK\$48.7 billion, suggesting that the latest rise is not backed by much conviction.

Despite the broad market is trending up in the past two weeks, Hong Kong's IPO market is still in lukewarm mood. The 19-percent plunge in International Taifeng's (00873) share price on its trading debut on 11 June weighed on sentiment for newly-listed shares. Word Wide Touch Technology (01282) and Xinjiang Goldwind (02208) eventually decided to call off their initial public offerings in Hong Kong — another sign that indicates a further cooling in the IPO market. The rocky market conditions also dimmed enthusiasm for Agricultural Bank of China, the last of the Big Four to be listed, which will begin its HK retail tranche subscriptions on 30th June 2010.

On the economic front, Hong Kong's unemployment rate rose for the first time in 11 months in May as more young people entered the workforce, and some employers were more cautious on hiring amid concerns over the uncertain global outlook. The jobless rate for March to May was up 0.2 percentage point from 4.4% for February to April, while total employment fell by around 7,100 to 3,483,300 during the period.

Looking ahead, spotlight will be on FOMC Meeting scheduled on June 22-23. The Fed is widely expected to keep its interest rates unchanged, but more of the focus will be on the Fed's accompanying statement for clues on any further interest-rate hikes after June. We see the upside of the blue-chip index to be capped near 20,500 next week as share prices would be under pressure on liquidity constraint ahead of the IPO of Agricultural Bank of China.

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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
18th June	10,434.17*	2,307.16*	9,995.02	2,833.40	1,317.69	791.85	7,493.11
11th June	10,211.07	2,243.60	9,705.25	2,796.29	1,294.67	769.55	7,299.49
Change	+223.10	+63.56	+289.77	+37.11	+23.02	+22.30	+193.62
%	+2.2%	+2.8%	+3.0%	+1.3%	+1.8%	+2.9%	+2.7%

Remarks: (*) closing at of 17th June 2010

Major Changes in Index Constituent Stocks (Week ended 18th June 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @18/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Tencent	00700	HK\$129.7	-HK\$3.2	-2.41%	Tencent continued to fall this week as it was reported that its chairman, Ma Huateng, lowered his stake in the mainland Internet company to 11.2% from 11.47% on 7 th June 2010. Concern over slower growth and valuation also put pressure on the share price.
Henderson Land	00012	HK\$46.2	-HK\$0.4	-0.86%	Henderson Land fell after the builder said prospective buyers cancelled 20 of 24 high-profile luxury flat purchases. In view of the net loss of HK\$734 million, investment banks lowered the developer's full-year earnings this year by 16%.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Dongfeng	00489	HK\$9.13	+HK\$1.02	+12.58%	Shares in carmakers surged this week after the central government extended a subsidy programme for the trade-in of older and bigger-polluting vehicles to the end of the year.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/6/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings	00144	HK\$25.25	+HK\$1.75	+7.45%	Shanghai regained the lead as the world's busiest container port in April, and Shenzhen is set to overtake Hong Kong as the third busiest. The trend of ports in China gaining market share helped boost shares of China Merchants Holdings.

Summary of US Economic News

Indicator	Change/Index	Comments
Housing Market Index – June 2010	17	The housing market index fell a steep five points in June to 17 from a recovery peak of 22 in May as the second-round housing stimulus had ended.
Housing Starts – May 2010	-10%	Housing starts in May fell 10.0%, following a 3.9% rebound in April as homebuilders worked on their projects cautiously after the close of the special tax credits program.
Industrial Production – May 2010	+1.2%	Overall industrial production in May surged 1.2%, following a 0.7% boost the month before. The report showed manufacturing sector continued to lead the economy despite concern that exports to Europe could slow.
Producer Price Index – May 2010	-0.3%	Led by a 1.5% drop in energy costs, the overall PPI inflation weakened even further to record a 0.3% drop in May after dipping 0.1% in April. May's decline was less severe than analysts' projection for a 0.5% decrease.
Consumer Price Index – May 2010	-0.2%	Overall CPI inflation declined 0.2%, following a 0.1% dip in April. The report validates the Fed's decision to keep short-term interest rates low for an extended period of time.
Initial jobless claims – week ended 12 th June 2010	+12,000	Initial claims rose 12,000 in the previous week to 472,000, showing another sign of slack demand for workers in the initial stages of an economic recovery.

Forthcoming Important Announcements / Events

21 st June 2010 (Monday)	HK	:	Sincere Watch (Hong Kong) (00444) – final results Lee & Man Paper Manufacturing (02314) – final result
	US	:	No important announcement/event
22 nd June 2010(Tuesday)	HK	:	Man Wah Holdings (01999) – final results Consumer Price Index – May 2010
	US	:	Existing Home Sales – May 2010 Adobe Systems – 2Q 2010 results
23 rd June 2010 (Wednesday)	HK	:	Chevalier International (00025) – final results Dickson Concepts (00113) – final results Pacific Andes (01174) – final results
	US	:	FOMC Meeting Announcement New Home Sales – May 2010
24 th June 2010 (Thursday)	HK	:	Sa Sa International (00178) – final results Sincere Co. (00244) – final results L'Occitane International (00973) – final results External Merchandise Trade Statistics – May 2010 Payroll and Wage Statistics – 1Q 2010
	US	:	Initial jobless claims – the week ended 19 th June 2010 Durable Goods Orders – May 2010 Oracle – 4Q 2010 results
25 th June 2010 (Friday)	HK	:	Grand Investment (01160) – final results
	US	:	GDP – 1Q 2010 Consumer Sentiment – June 2010



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