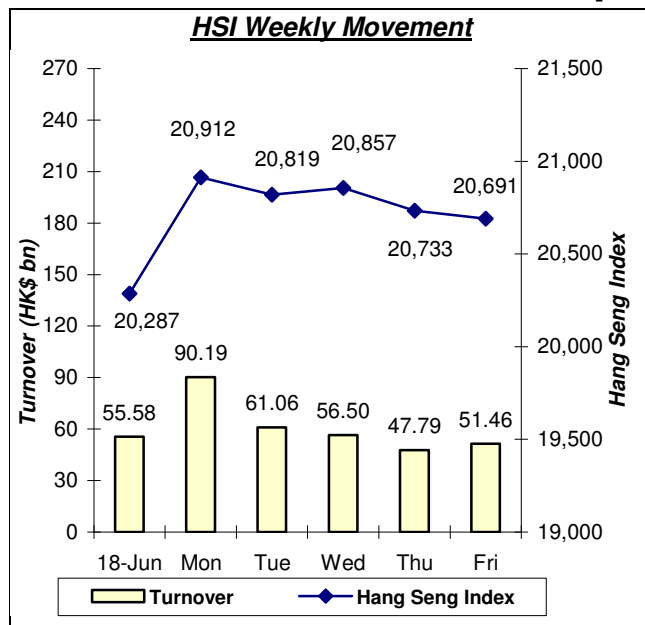


Restricted circulation
 Analyst: Sabina Cheng

Weekly Report
 25th June 2010

HSI ended the week in positive territory on RMB reform


Weekly Market Statistics

| Weekended | 25/6/2010 | 18/6/2010 | Change | % |
|------------------------------|-----------|-----------|--------|--------|
| Hang Seng Index | 20,691 | 20,287 | +404 | +2.0% |
| HS Fed Chip Index | 3,889 | 3,830 | +59 | +1.5% |
| HS China Enterprises Index | 11,865 | 11,623 | +242 | +2.1% |
| HS Hong Kong 35 Index | 2,116 | 2,068 | +48 | +2.3% |
| HS Mainland 100 Index | 6,642 | 6,538 | +104 | +1.6% |
| Growth Enterprise Index | 788 | 800 | -11 | -1.4% |
| Avg Daily Turnover (HK\$ bn) | 61.4 | 45.9 | +16 | +33.8% |
| Sectoral Indices | | | | |
| Finance | 31,342 | 30,701 | +641 | +2.1% |
| Utilities | 41,012 | 40,154 | +858 | +2.1% |
| Properties | 26,330 | 25,712 | +618 | +2.4% |
| Comm&Ind | 11,136 | 10,946 | +189 | +1.7% |

Review & Outlook of Market Performance

Hong Kong stocks saw a sharp rally on Monday amid investors' expectations that China would allow its currency to appreciate, following the People's Bank of China's weekend announcement on a resumption of China's exchange rate reform which had initiated in 2005. However, market sentiment stayed weak and profit taking set in the remainder of the week on weak overseas markets. Over the week, the HSI rose 2.0% to 20,690.79, while the HSCEI gained 2.09% to 11,865.17. The daily average turnover increased to HK\$61.4 billion from HK\$45.9 billion in the previous week.

Upon news of the RMB reform, shares in mainland property developers and airlines gained some 5% on Monday. Investors expected that rising RMB would boost these companies' profitability and reduce their foreign debt payments.

On economic front, Hong Kong reported a lower-than-expected yearly CPI growth of 2.5% in May, following a 2.4% rise in April on higher rentals in private housing and food costs.

On IPO front, COSTIN New Materials reported a first-day return of just 0.84%, whilst China Liansu ended flat on its trading debut. Despite their weak performance, the retail portion of the orthopedic product maker Trauson was 149 times oversubscribed. In addition, six more firms have started to tap the local bourse in the coming weeks, including Agricultural Bank of China (raising HKD179.4 billion), Guotai Junan (HKD2.31 billion), Shirble Department Store (HKD1.05 billion), Chaowei Power (HKD725 million), China ITS (HKD900 million) and Convoy Financial Service (HKD200 million).

Looking ahead, market sentiment will very much depend on economic data of (1) US's GDP and consumer sentiment, (2) China's June leading index and manufacturing PMI, and (3) Hong Kong's May retail sales. The persistent European debt crisis is expected to weigh on the market sentiment. Nevertheless, the Hang Seng Index is likely to see support at 20,000 mark in the near term.

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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 |
|-----------|-----------------|--------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| 25th June | 10,152.80* | 2,217.42* | 9,737.48 | 2,857.41 | 1,323.66 | 793.67 | 7,474.71 |
| 18th June | 10,450.64 | 2,309.80 | 9,995.02 | 2,833.40 | 1,317.69 | 791.85 | 7,493.11 |
| Change | -297.84 | -92.38 | -257.54 | +24.01 | +5.97 | +1.82 | -18.40 |
| % | -2.8% | -4.0% | -2.6% | +0.8% | +0.5% | +0.2% | -0.2% |

Remarks: (^) closing at of 24th June 2010

Major Changes in Index Constituent Stocks (Week ended 25th June 2010)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @25/6/2010 | W-O-W Change | | Remarks / Comments |
|----------------------|------------|--------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Unicom | 00762 | HK\$10.26 | +HK\$0.65 | +6.76% | The Company is offering iPhone in China and are in talks with Apple about offering iPhone 4 and the iPad in China. However, Apple has not announced plans to offer either iPhone 4 or the iPad in China. |
| China Resources Land | 01109 | HK\$15.14 | -HK\$0.48 | -3.07% | The counter ended in the red by Friday, after its rally on Monday on expectations that central government's tightening stance would moderate after its RMB reform announcement. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @25/6/2010 | W-O-W Change | | Remarks / Comments |
|-------|------------|--------------------------|--------------|--------|---|
| | | | Absolute | % | |
| ZTE | 00763 | HK\$25.85 | -HK\$1.25 | -4.61% | A report from China International Capital Corporation showed three potential risks of ZTE: (1) a delay in overseas orders, (2) large FX losses, and (3) a fierce price war in TD phase-4 procurement. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @25/6/2010 | W-O-W Change | | Remarks / Comments |
|---------------|------------|--------------------------|--------------|---------|--|
| | | | Absolute | % | |
| Denway Motors | 00203 | HK\$3.96 | +HK\$0.36 | +10.00% | Guangzhou Automobile Group (GAG), China's sixth-biggest carmaker, is expected to be listed on the Hong Kong Stock Exchange on 30 August 2010. Meanwhile, GAG said it would delist Denway Motors on 25 August, if the privatization plan got approved by the Denway Motors' shareholders. |

**Summary of US Economic News**

| Indicator | Change/Index | Comments |
|---|---------------------------------|---|
| Existing home sales – May 2010 | -2.2%, m-o-m | Existing home sales fell 2.2% to a lower-than-expected level of 5.66 million, from an upwardly revised 5.79 million in April. |
| FOMC meeting announcement | No change in Federal Funds Rate | The Fed left its policy rates unchanged, based largely on low rate of resource utilization, subdued inflation trend and stable inflation expectation. The FOMC said it would likely to keep its fed funds rate at the exceptionally low level for an extended period. |
| New home sales – May 2010 | 300,000 | New home sales tumbled by 33% m-o-m to 300,000 in May as a tax credit expired, indicating the market remained dependent on government support. |
| Initial jobless claims – the week ended 19 th June 2010 | -19,000 | Initial jobless claims dropped higher-than-expected by 19,000 to 457,000, from an upwardly revised 476,000 in the previous week. The four-week average fell slightly by 1,500 to 462,750, which was higher than the mid-May reading, suggesting there might be no improvement for the June employment report. |
| Durable goods orders – May 2010 | -1.1%, m-o-m | Durable goods orders fell unexpectedly by 1.1% month-on-month in May, after jumping a revised 3% in April. However, excluding the transportation component, new durables orders rebounded 0.9% in Mays, after a 0.8% decrease in April. |

Forthcoming Important Announcements / Events

| | | | |
|--|----|---|--|
| 28 th June 2010 (Monday) | HK | : | Emperor International (00163) – final results Emperor Entertainment Hotel (00296) – final results |
| | US | : | Personal income and outlays – May 2010 |
| 29 th June 2010 (Tuesday) | HK | : | Cafe De Coral (00341) – final results Public Financial (00626) – interim results Trauson (00325) – trading debut |
| | US | : | Consumer confidence – June 2010 State Street investor confidence index – June 2010 |
| 30 th June 2010 (Wednesday) | HK | : | Skyworth Digital (00751) – final results |
| | US | : | Chicago PMI – June 2010 |
| 1 st July 2010 (Thursday) | HK | : | Public holiday |
| | US | : | Initial jobless claims – the week ended 26 th June 2010 ISM mfg index – June 2010 Construction spending – May 2010 Pending home sales index – May 2010 |
| 2 nd July 2010 (Friday) | HK | : | Retail sales – May 2010 |
| | US | : | Employment situation – June 2010 Factory orders – May 2010 |



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