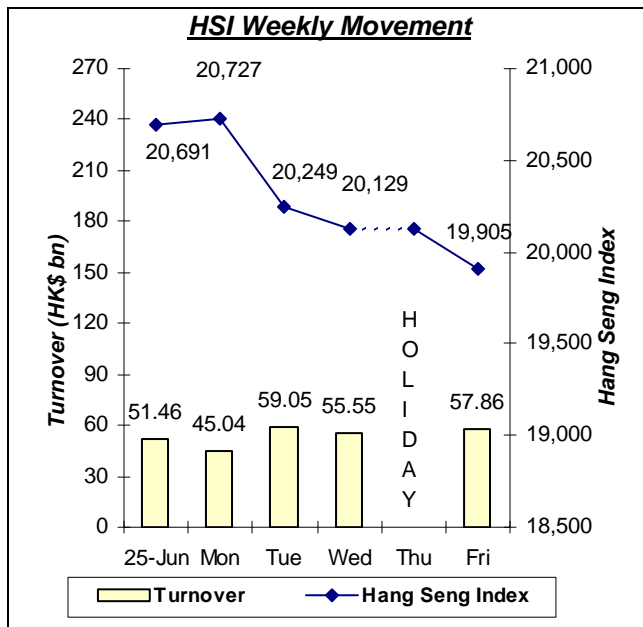


Markets fall on fears over China's economy


Weekly Market Statistics

Weekended	02/7/2010	25/6/2010	Change	%
Hang Seng Index	19,905	20,691	-785	-3.8%
HS Red Chip Index	3,774	3,889	-115	-2.9%
HS China Enterprises Index	11,247	11,865	-618	-5.2%
HS Hong Kong 35 Index	2,043	2,116	-73	-3.4%
HS Mainland 100 Index	6,362	6,642	-280	-4.2%
Growth Enterprise Index	758	788	-31	-3.9%
Avg Daily Turnover (HK\$ bn)	54.4	61.4	-7	-11.4%
Sectoral Indices				
Finance	29,947	31,342	-1,395	-4.5%
Utilities	41,067	41,012	+55	+0.1%
Properties	25,375	26,330	-955	-3.6%
Comm&Ind	10,737	11,136	-398	-3.6%

Review & Outlook of Market Performance

World markets rose on Monday as investors were encouraged by the pledge of the Group of 20 rich and developing nations to reduce budget deficits. Nevertheless, the local bourse retreated in the following trading days after a leading indicator for the Chinese economy, the April economic index of Conference Board, had been revised sharply downwards from a gain of 1.7% to just 0.3% - the smallest rise in five months. In addition, weakened China PMI figures and new concerns over Europe's economic outlook (as Spain's debt rating might be downgraded further) weighed on the stock markets. Over the week, the HSI lost 785 points or 3.8% to close at 19,905.32. Average daily turnover was HK\$54.4 billion, which was lower than last week's HK\$61.4 billion. As a wrap-up for the first half of 2010, although the HSI has fallen 8.0% so far this year, it has outperformed most of the other Asian indices, in particular, the Shanghai Composite Index which tumbled 26.8% for the first half of 2010, the worst half-year performance among major global markets.

Despite market tumbled, Agricultural Bank of China (01288), which is likely to be the world's largest flotation, is welcomed by corporate investors. The institutional tranche of the lender's H shares was more than 10 times oversubscribed. Meanwhile, Chiho-Tiande Group (00976), Convoy Financial Services (01019), Tian Shan Development (02118), China ITS (01900) and Manta Holdings (00936) also began their retail offerings this week but they are likely to receive lukewarm response given the weakening appetite for new shares.

In contrast to the fragile stock market, local residential market begins to heat up again. Strong sales of Sino Land (00083)'s The Hermitage in Tai Kok Tsui signalled a return to positive sentiment among buyers. The developer sold the first batch of 231 homes in less than four hours last Saturday and the second batch of 130 flats in an hour on Thursday. The positive response also encouraged the consortium led by Sun Hung Kai Properties (00016) to release units in Larvotto, a new luxury residential project in Ap Lei Chau, for sale.

Local market sentiment has faltered amid concerns on decelerating Chinese economy, which should have largely been reflected in the current index level. Without important economic announcement next week, the HSI is expected to hover around 20,000 level.

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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
2nd July	9,732.53*	2,101.36*	9,203.71	2,844.19	1,307.44	802.57	7,330.74
25th June	10,143.81	2,223.48	9,737.48	2,851.64	1,326.45	793.67	7,474.71
Change	-411.28	-122.12	-533.77	-7.45	-19.01	+8.90	-143.97
%	-4.1%	-5.5%	-5.5%	-0.3%	-1.4%	+1.1%	-1.9%

Remarks: (*) closing at of 1st July 2010

Major Changes in Index Constituent Stocks (Week ended 2nd July 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @2/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Foxconn	02038	HK\$4.88	-HK\$0.75	-13.32%	Foxconn issued a profit warning for the 6 months ending 30 June 2010, primarily attributable to lower pricing for the group's products, changes in product mix and higher depreciation expenses.
Chalco	02600	HK\$5.83	-HK\$0.45	-7.17%	Chalco terminated a HK\$19.5 billion agreement to develop a bauxite and alumina operation in Australia. The aluminium producer became reluctant to continue the project as cost estimates rose and commodities demand waned.
Sino Land	00083	HK\$14.72	-HK\$0.28	-1.95%	Strong sales of Sino Land's The Hermitage in Tai Kok Tsui offered support to the developer's share prices.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @2/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Coal	01898	HK\$9.46	-HK\$1.76	-15.69%	Beijing ordered major coal producers to freeze prices to help the nation fight inflation. Producers that had reneged on their annual contracts and raised prices must refund additional price rises to customers by the end of this month.
Yanzhou Coal	01171	HK\$14.68	-HK\$2.28	-13.44%	
China Shenhua	01088	HK\$27.55	-HK\$3.20	-10.41%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @2/7/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$10.56	+HK\$0.3	+2.92%	It was reported that China Unicom would launch the red-hot smart phone iPhone 4 on the mainland market in the fourth quarter of this year.



Summary of US Economic News

Indicator	Change/Index	Comments
Personal Income Consumer Spending - May 2010	+0.4% +0.2%	Personal income in May rose a solid 0.4%, following a 0.5% advance in April. Consumer spending increased only 0.2% as there was a drop in gasoline prices.
Consumer Confidence - June 2010	52.9	Consumer confidence fell dramatically to 52.9. The decline was led by severe weakness in the East South Central (37.7 June vs. 56.0 May) and the South Atlantic (49.1 vs. 62.8).
Initial jobless claims - the week ended 26 th June 2010	+13,000	Initial jobless claims rose 13,000 in the week ended June 26 to 472,000, lifting the four-week average by 3,250 to 466,500, the highest level since March 2010. Compared with May, June levels were slightly higher and pointed to trouble employment situation.
Pending Home Sales Index - May 2010	77.6	Pending home sales dropped 30% in May following the expiration of the sale deadline for special homebuyer tax credit.
Construction Spending - May 2010	-0.2%	Despite the bad news on home sales, actual construction spending was holding up well. Construction outlays in May fell back only 0.2% after jumping 2.3% in April.
ISM Mfg Index - June 2010	56.2	The acceleration in the manufacturing sector slowed down slightly in June. The index slowed to 56.2 from May's very strong 59.7.

Forthcoming Important Announcements / Events

5 th July 2010 (Monday)	HK	:	Wai Yuen Tong (00897) – final results Wang On Group (01222) – final results
	US	:	US Holiday: Independence Day
6 th July 2010 (Tuesday)	HK	:	No important announcement/event
	US	:	ISM Non-Mfg Index – June 2010
7 th July 2010 (Wednesday)	HK	:	China Gas (00384) – final results Bosideng (03998) – final results Chaowei Power (00951) – trading debut Sinoref (01020) – trading debut
	US	:	No important announcement/event
8 th July 2010 (Thursday)	HK	:	Fairwood (00052) – final results Fook Woo (00923) – final results Shirble Department Store (00312) – trading debut Guotai Junan (01788) – trading debut
	US	:	Initial jobless claims – the week ended 3 rd July 2010 Chain store sales – June 2010 Consumer credit – June 2010
9 th July 2010 (Friday)	HK	:	Pacific Textiles (01382) – final results Walker Group (01386) – final results
	US	:	Wholesale trade – May 2010



BEA securities

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