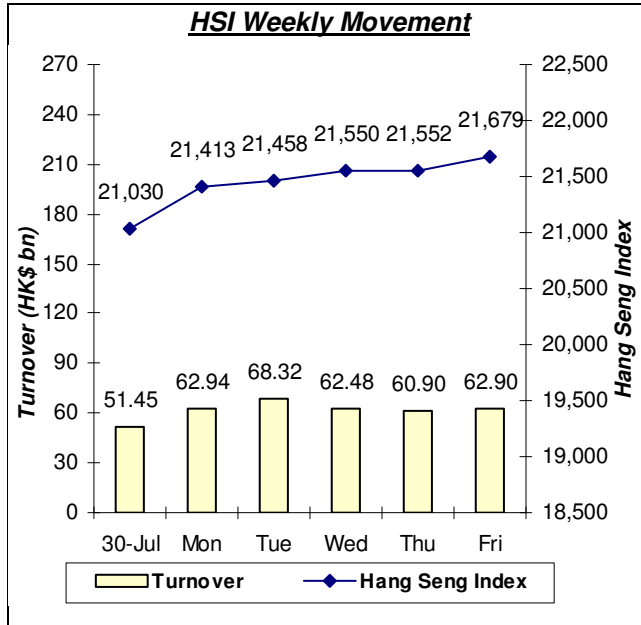




Restricted circulation
Analyst: Sabina Cheng

Weekly Report
6th August 2010

HSI finished at three-month high on stronger earnings results



Weekly Market Statistics				
Weekended	06/8/2010	30/7/2010	Change	%
Hang Seng Index	21,679	21,030	+649	+3.1%
HS Red Chip Index	4,103	4,020	+83	+2.1%
HS China Enterprises Index	12,162	11,905	+257	+2.2%
HS Hong Kong 35 Index	2,255	2,178	+77	+3.5%
HS Mainland 100 Index	6,869	6,722	+147	+2.2%
Growth Enterprise Index	808	785	+23	+2.9%
Avg Daily Turnover (HK\$bn)	63.5	55.8	+8	+13.8%
Sectoral Indices				
Finance	32,848	31,931	+917	+2.9%
Utilities	41,543	41,311	+232	+0.6%
Properties	28,155	27,165	+990	+3.6%
Comm&Ind	11,652	11,250	+402	+3.6%

Review & Outlook of Market Performance

Hong Kong shares registered a sharp rebound on Monday led by financials and properties on expectations for strong HSBC interim results and steady sales in primary property market over the weekend. Better-than-expected results announcements from HSBC, Standard Chartered Bank, Cathay Pacific, Swire Pacific, Cheung Kong during the week continued to support the stock market. Week-on-week, the HSI rose 3.1% to 21,678.80, while the HSCEI gained 2.2% to 12,161.75. The daily average turnover amounted to HK\$63.5 billion, up from HK\$55.8 billion in the previous week.

After the China's banking regulator had instructed lenders to have a new stress test on the impact of a fall in housing prices of 50%-60% and to stop extending mortgages to people buying third homes in Beijing, Hangzhou, Shanghai and Shenzhen, share prices of Chinese banks were mixed while developers shares tumbled on Thursday. Meanwhile, news of fund raising plans of Country Garden, KWG Property, CR Land and Poly (HK) over the week also weighted on developers' shares prices. Nevertheless, Chinese banks and property shares finished up on Friday helped by a stronger RMB and a clarification from the banking regulator that the new stress test of mortgage loans might not imply any property policy changes.

Market's attention next week will continue focusing on corporates earnings announcement (Zijin, HKEx, COLI, Minsheng Bank and BEA), China's July economic data (housing prices, consumer price index, trade balance, industrial production and retail sales), results of FOMC meeting and job data from the US. Whether the HSI can manage to stay above 21,600 will depend on China and US economic data as well as corporate results announcements in the next week.

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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
6th August	10,674.98*	2,293.06*	9,642.12	2,993.20	1,361.62	875.07	7,963.30
30th July	10,465.94	2,254.70	9,537.30	2,987.70	1,360.92	855.83	7,760.63
Change	+209.04	+38.36	+104.82	+5.50	+0.70	+19.24	+202.67
%	+2.0%	+1.7%	+1.1%	+0.2%	+0.1%	+2.2%	+2.6%

Remarks: (*) closing at of 5th August 2010

Major Changes in Index Constituent Stocks (Week ended 6th August 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @06/08/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
			HK\$	+%	
Hutchison Whampao	00013	HK\$58.2	+HK\$51.3	+13.45%	Net profit of the Company jumped 12% y-o-y to HK\$6.5 billion in 1H2010, beating market expectations on improved port services.
FIH	02038	HK\$6.07	+HK\$5.46	+11.17%	FIH's share price gained on news that the Company's Indian factory had resumed its operation.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @06/08/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
			HK\$	+%	
ZTE	00763	HK\$27.30	+HK\$24.85	+9.86%	The counter saw a sharp rebound after it announced to have a target of at least 30% revenue growth in India during 2010-2011, after overcoming its security-related issues.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @06/08/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
			HK\$	+%	
Poly HK Inv	00119	HK\$8.95	-HK\$0.42	-4.48%	Poly HK Inv announced on Thursday that it would raise HK\$3.5 billion from a share sale to fund investments such as land acquisitions. The Company sold 400 million new shares to a major shareholder at HK\$8.8 each, representing a 6.7% discount to its closing price on Wednesday. Meanwhile, shares in other developers such as CR Land, Country Garden and KWG Property also declined by 1.6%-4% w-o-w after announcing their respective financing plans over the week.



Summary of US Economic News

Indicator	Change/Index	Comments
Construction spending – June 2010	+0.1%, m-o-m	Construction spending in the U.S. unexpectedly increased 0.1% m-o-m in June, boosted by gain in government programs.
ISM manufacturing index – July 2010	55.5	ISM manufacturing index slowed to 55.5 in June from a strong reading of 59.7 in May, on an abrupt drop in new orders.
Personal income and spending – June 2010	Unchanged from May	Both personal income and spending remained unchanged in June. Nevertheless, personal spending is expected to see improvement as the Fed targets to strengthen the US economy through increase in consumer spending.
Factory orders – June 2010	-1.2%, m-o-m	Factory orders fell 1.2% m-o-m in June, compared with a revised 1.8% drop in May, with declines across many categories including capital and consumer goods.
ISM non-manufacturing index – July 2010	54.3	The index rose more-than-expected to 54.3 in July, compared with 53.8 in June, on surging new orders and employment.
Initial jobless claims – the week ended 31 st July 2.010	+19,000	Initial jobless claims rose higher-than-expected by 19,000 to 479,000, from an upwardly revised 460,000 in the previous week. The four-week average increased by 5,250 to 458,500. The results suggested that the US labor market remained weak.

Major Earnings Results Announcements During the Week

Company name (stock code)	Net profit (bn)	Y-o-Y change	Drivers of performance	W-o-W change in share prices
HSBC (5)	US\$6.763	+102.1%	Lower provisions as positive surprise	+3.7%
Hang Seng (11)	HK\$6.964	+8.4%	Total CAR plunged to 12.9%. Squeezed margin on lower interest rate offset by strong loan growth	+2.8%
Standard Chartered (2888)	US\$2.098	+11.4%	Earning improvement on lower provisions	-0.2%
Hutchison Whampao (HW) (13)	HK\$6.45	+12%	Improved port services	+13.5%
Cheung Kong (1)	HK\$11.9	+4%	Stronger property sales and contribution from HW	+7.0%
Cathay Pacific (293)	HK\$6.84	+742.4%	Record half-yearly earnings, thanks to robust traffic volume and yields as well as gains from disposal gains	+7.1%
Swire Properties (19)	HK\$8.91	+135%	Sharp increase in earnings from Cathay Pacific	+2.7%
HAECO (44)	HK\$0.338	-21.4%	Dragged by weak performance of its Xiamen unit	-1.2%

**Forthcoming Important Announcements / Events**

9 th August 2010 (Monday)	HK	:	Dahsing Banking (02356) – interim results Zijin Mining (02899) – interim results
	US	:	No important news or announcements
10 th August 2010 (Tuesday)	HK	:	Fubon Bank (Hong Kong) (00636) – interim results Minsheng Bank (01988) – interim results
	US	:	Productivity and costs – Q2 2010 Wholesale trade – June 2010 FOMC meeting announcement
11 th August 2010 (Wednesday)	HK	:	Liu Chong Hing Investment (00194) – interim results Hong Kong Exchanges and Clearing (00388) – interim results China Overseas Land & Investment (00688) – interim results Tencent (00700) – interim results Citic Bank (00998) – interim results Chong Hing Bank (01111) – interim results Prudential (02378) – interim results
	US	:	International trade – June 2010 Cisco Systems – Q4 FY2010
12 th August 2010 (Thursday)	HK	:	Bank of East Asia (00023) – interim results MTR Corporation (00066) – interim results Wing Hang Bank (00302) – interim results Li & Fung (00494) – interim results
	US	:	Initial jobless claims – the week ended 7 th August 2010 Import and export prices – July 2010
13 th August 2010 (Friday)	HK	:	GDP – 2Q 2010 PCCW (00008) – interim results China Coal (01898) – interim results
	US	:	Consumer price index – July 2010 Retail sales – July 2010 Consumer sentiment – August 2010 Business inventories – June 2010



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