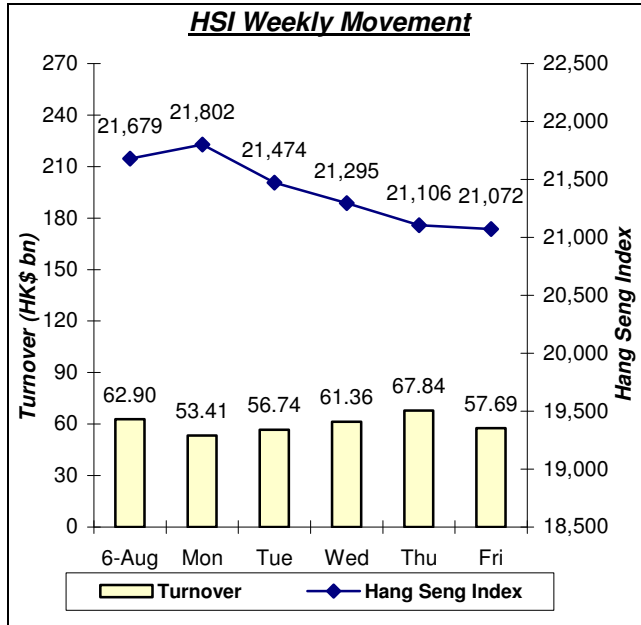




Restricted circulation
Analyst: Kelvin Li

Weekly Report
13th August 2010

HSI down on fading hope for new economic stimulus



Weekly Market Statistics

Week ended	13/8/2010	06/8/2010	Change	%
Hang Seng Index	21,072	21,679	-607	-2.8%
HS Red Chip Index	4,001	4,103	-102	-2.5%
HS China Enterprises Index	11,641	12,162	-520	-4.3%
HS Hong Kong 35 Index	2,228	2,255	-27	-1.2%
HS Mainland 100 Index	6,659	6,869	-210	-3.1%
Growth Enterprise Index	787	808	-20	-2.5%
Avg Daily Turnover (HK\$ bn)	59.4	63.5	-4	-6.5%
Sectoral Indices				
Finance	31,560	32,848	-1,287	-3.9%
Utilities	41,049	41,543	-494	-1.2%
Properties	27,790	28,155	-365	-1.3%
Comm & Ind	11,416	11,652	-236	-2.0%

Review & Outlook of Market Performance

Profit taking emerged, as hope for a fresh round of economic support measures from the Federal Reserve faded. The Hang Seng Index hit fresh three-month highs on Monday but soon reversed course, following the Fed's cautious comments on the economy in its post-FOMC meeting policy statement and the introduction of a small-scaled long-term treasuries buyback program, which failed to impress investors. Over the week, the blue-chip index was down by more than 600 points or 2.8% to 21,071.57, while the HSCEI lost 4.3%.

In addition to the FOMC meeting, investors also looked to the Mainland's July economic data. The latest economic figures showed growth in retail sales, fixed asset investment and industrial production slowed down in July when compared with the previous month, while the consumer price inflation surged to 3.3% in July from 2.9% in June. The set of soft growth but intact inflation data dampened market sentiment, as hope for Beijing to loosen its grip on monetary policy also faded.

On the stock market front, some privatisation news drew investor attentions. ICBC said it plans to privatise its HK unit, ICBC (Asia), for HK\$10.8 billion, representing a 2.14x price-to-book ratio. Exporter Li & Fung also said it plans to buy out its sister company IDS Group for HK\$7.0 billion. Both ICBC (Asia) and IDS Group saw sharp gains, up 24.3% and 42.7% w-o-w, respectively, when they resumed from trading suspension pending the privatisation announcements. Meanwhile, there were also some cheers from the IPO market. Infinity Chemical, a footwear glue maker, jumped 55% on trading debut, after its chairman confirmed tycoon Li Ka-shing's Cheung Kong bought about 5% of the company via the IPO.

Major China plays will start to deliver their first-half results next week, including Bank of Communications and China Merchants Bank on Wednesday, CNOOC and China Mobile on Thursday, and Sinopec and China Construction Bank on Friday. These PRC names are expected to deliver encouraging earnings results, which would help the HSI defend its key "250-day moving average" support level near 21,000.

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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
13th August	10,319.95*	2,190.27*	9,253.46	2,939.97	1,360.15	862.16^	7,891.58
6th August	10,653.56	2,288.47	9,642.12	2,993.20	1,361.62	875.07	7,963.30
Change	-333.61	-98.20	-388.66	-53.23	-1.47	-12.91	-71.72
%	-3.1%	-4.3%	-4.0%	-1.8%	-0.1%	-1.5%	-0.9%

Remarks: (*) closing at of 12th August 2010; (^) closing at of 11th August 2010

Major Changes in Index Constituent Stocks (Week ended 13th August 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	00494	HK\$38.00	+HK\$2.10	+5.85%	Li & Fung was one of the winners in the HSI during the week, after the global sourcing firm posted a better-than-expected 55% profit jump in 1H10 on strong margins.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @13/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
ZTE Corp	00763	HK\$25.30	-HK\$2.00	-7.33%	ZTE Corp was among the big losers in the H-share index, after the global industry leader, Cisco, issued a weak outlook forecast citing economic uncertainty.
Air China	00753	HK\$9.04	-HK\$0.62	-6.42%	Profit taking emerged following recent rally on the strong results from Cathay Pacific (00293). The national flag air carrier said on Thursday it carried 22.5% more of passengers y-o-y and 19.0% more of cargo in July, while its passenger load factor strengthened by 5 percentage points to a robust 83.1% last month. The counter saw a decent 3.7% rebound in share price on Friday.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @13/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	00941	HK\$82.55	+HK\$0.30	+0.36%	China Mobile saw speculative buying spree after <i>Xinhua</i> said it would tie up with the mobile giant to develop search technology. Market watchers said a search engine introduced by the two parties could potentially challenge industry leaders Google and Baidu.



Summary of US Economic News

Indicator	Change/Index	Comments
Productivity – Q2 2010	-0.9%	Productivity fell at an annual rate of 0.9% in Q2, marking the first drop since the fourth quarter of 2008, which led to rising worries over economic growth in the US.
Trade balance – Jun 2010	-US\$49.9 billion	The US posted a trade deficit of US\$49.9 billion in Jun, up a sharp 18.8% from May to the highest level since Oct 2008. Exports fell 1.3% m-o-m, while imports surged 3%.
Initial jobless claims – week ended 7 th August 2010	+2,000	Initial jobless claims rose 2,000 to 484,000 last week, worse than market expectations of a drop to 469,000.

Major Earnings Results Announcements During the Week

Stock	Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
Zijin Mining (02899)	RMB2.7 billion	+41.3%	The strong results were mainly driven by rising gold and copper prices vs 1H2009.	-1.11%
Minsheng Bank (01988)	RMB8.9 billion	+20.2%	The 1H10 profit growth was driven by a bigger loan book and higher net interest margin.	-2.40%
HK Exchanges & Clearing (00388)	HK\$2.3 billion	+3.2%	The local bourse operator posted an unexciting 3% net profit rise in 1H10, mainly dragged by a drop in investment income.	-6.51%
China Overseas Land (00688)	HK\$5.1 billion	+66.7%	The results were supported by record sales of HK\$28.1 billion in 1H10 and a surge in gross profit margin on stronger property prices y-o-y.	-1.57%
China CITIC Bank (00998)	RMB10.7 billion	+45.4%	The 1H10 profit growth was driven by a bigger loan book and higher net interest margin.	-6.40%
MTRC (00066)	HK\$6.6 billion	+47.6%	The strong earnings growth was supported by a hefty share of property development profit amid a robust HK property market during the first half.	+1.25%
Li & Fung (00494)	HK\$2.2 billion	+55.4%	The exporter posted a record half-yearly profit in 1H10, driven by strong volume growth and margin expansion in its key market, the US.	+5.85%

**Forthcoming Important Announcements / Events**

16 th August 2010 (Monday)	HK	:	CLP Holdings (00002) – interim results Tingyi (00322) – interim results Longfor Properties (00960) – interim results China Southern Airlines (01055) – interim results Dah Chong Hong (01828) – interim results ANTA Sports (02020) – interim results Champion REIT (02778) – interim results China Molybdenum (03993) – interim results
	US	:	No important announcement/event
17 th August 2010(Tuesday)	HK	:	Unemployment statistics – May-July 2010 Angang Steel (00347) – interim results Beijing Capital International Airport (00694) – interim results China Taiping Insurance (00966) – interim results China Shipping Development (01138) – interim results PICC Properties & Casualties (02328) – interim results AviChina (02357) – interim results
	US	:	Housing starts – July 2010 Producer price index – July 2010 Industrial production – July 2010 Home Depot Inc – Q2 2010 results Wal-Mart Stores, Inc. – Q2 FY2010/11 results
18 th August 2010 (Wednesday)	HK	:	CITIC Pacific (00267) – interim results Television Broadcasts (00511) – interim results Sany Heavy Equipment (00631) – interim results Bank of Communications (03328) – interim results Sino-Ocean Land (03377) – interim results China Aoyuan Property (03883) – interim results China Merchants Bank (03968) – interim results
	US	:	No important announcement/event
19 th August 2010 (Thursday)	HK	:	Sichuan Expressway (00107) – interim results Shui On Land (00272) – interim results Maanshan Iron & Steel (00323) – interim results Taifook Securities (00665) – interim results ZTE Corporation (00763) – interim results CNOOC Ltd. (00883) – interim results China Longyuan Power (00916) – interim results China Mobile (00941) – interim results Datang Power (00991) – interim results Lenovo Group (00992) – interim results Regal REIT (01881) – interim results
	US	:	Initial jobless claims – the week ended 14 th August 2010 Index of leading economic indicators – July 2010 Hewlett-Packard – Q3 FY2009/10 results
20 th August 2010 (Friday)	HK	:	Consumer price index – July 2010 Great Eagle (00041) – interim results Sinopec Corp. (00386) – interim results Prosperity REIT (00808) – interim results China VTM Mining (00893) – interim results CPMC Holdings (00906) – interim results China Construction Bank (00939) – interim results Wynn Macau (01128) – interim results Yanzhou Coal Mining (01171) – interim results China Resources Cement (01313) – interim results Weiqiao Textile (02698) – interim results Shanghai Electric (02727) – interim results Parkson Retail (03368) – interim results Agile Property (03383) – interim results
	US	:	No important announcement/event



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