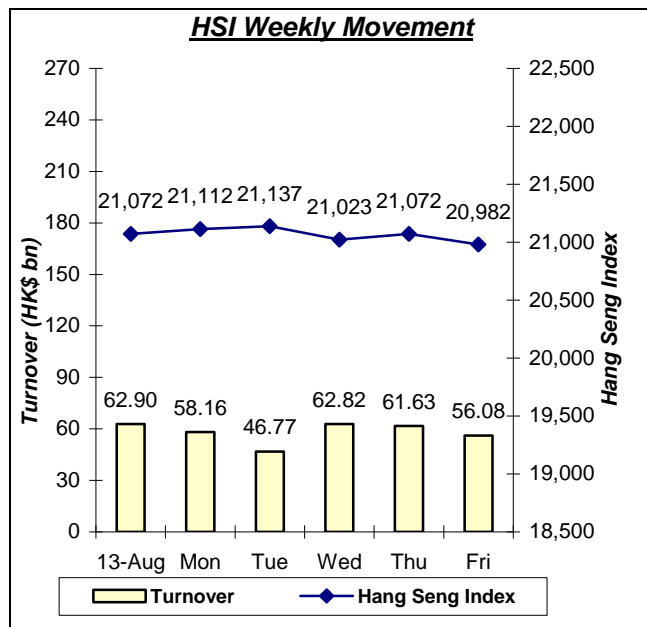


HSI closed below 21,000 amid slow recovery fears



Weekly Market Statistics

Week ended	20/8/2010	13/8/2010	Change	%
Hang Seng Index	20,982	21,072	-90	-0.4%
HS Red Chip Index	4,014	4,001	+12	+0.3%
HS China Enterprises Index	11,780	11,641	+138	+1.2%
HS Hong Kong 35 Index	2,202	2,228	-26	-1.2%
HS Mainland 100 Index	6,702	6,659	+44	+0.7%
Growth Enterprise Index	778	787	-10	-1.2%
Avg Daily Turnover (HK\$ bn)	57.1	59.4	-2	-3.9%
Sectoral Indices				
Finance	31,199	31,560	-361	-1.1%
Utilities	41,061	41,049	+12	+0.0%
Properties	27,139	27,790	-651	-2.3%
Comm & Ind	11,528	11,416	+112	+1.0%

Review & Outlook of Market Performance

The Hong Kong stock market was range-bounded throughout the week. The earlier euphoria amid better-than-expected land auction results faded away after the manufacturing and jobless data in the US painted a bleak picture for the US economy.

Local developers suffered sharp losses early in this week as the government said before the weekend it would increase land supply and tighten mortgage lending to cool down the property market. After the market close on Monday, Cheung Kong Holdings cheered the market as it outbid competitors by paying 98.3% and 43.5% above the respective trigger prices in two separate land auctions. Nevertheless, negative sentiment did not completely reverse, as experts believed more curbs would be brought in if home prices keep rising. Given weaker-than-expected economic data from the US, market watcher expected the economic expansion in the US would slow in the second half of the year, triggering some profit-taking towards the end of the week. Failing to stay above the 21,000 mark, the Hang Seng Index eventually finished at 20,981.82, down 0.43% or 89.75 points w-o-w. Average daily market turnover decreased to HK\$57.1 billion, reflecting investors' cautiousness.

On the economic front, the seasonally adjusted jobless rate for the May-July period fell to 4.3% from 4.6% in the April-June period, and was lower than the forecast median of 4.6%. Matthew Cheung, secretary for labour and welfare, said the unemployment rate for the May-July period fell because the growth of the local economy had encouraged employers to increase hiring.

Over the week, many H-share companies and blue chips reported solid interim results, including CLP Holdings, PICC P&C, CITIC Pacific, China Merchant Banks and Bank of Communications. Their strong results provided support to the local market and strong indication of sound fundamentals. Looking ahead, the upcoming earnings announcements of other heavyweights such as ICBC, CCB, Bank of China, PetroChina, China Life, Ping An and Henderson Land should continue to be closely scrutinized by investors next week. Lingering worries over slow recovery in the US is expected to continue weighing on sentiment, and the next critical support level for the key index is likely to be 20,600.

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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
20th August	10,281.21*	2,178.95*	9,179.38	2,936.48	1,395.02	893.92	7,927.31
13th August	10,303.15	2,173.48	9,253.46	2,939.97	1,360.15	862.16	7,891.58
Change	-21.94	+5.47	-74.08	-3.49	+34.87	+31.76	+35.73
%	-0.2%	+0.3%	-0.8%	-0.1%	+2.6%	+3.7%	+0.5%

Remarks: (*) closing at of 19th August 2010

Major Changes in Index Constituent Stocks (Week ended 20th August 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @20/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
New World Development	00017	HK\$13.24	-HK\$0.66	-4.75%	Hong Kong property stocks fell sharply as transactions plunged over the weekend after the government announced new measures to curb the blooming real estate market. Investors also worried that more tightening measures would be implemented should the property price continue rising.
Henderson Land	00012	HK\$48.00	-HK\$2.05	-4.1%	
Sino Land	00083	HK\$13.64	-HK\$0.44	-3.13%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
PICC P&C	02328	HK\$9.43	+HK\$1.37	+17.0%	Shares of PICC surged to their highest level in more than 2 years after it reported 1H10 earnings up more than 32 times y-o-y. Recovery in premium rates and a steady decline in the claims ratio helped PICC reverse its underwriting results from loss to gain in the first half of 2010.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @20/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotruk	03808	HK\$7.60	+HK\$0.61	+8.73%	Chinese authorities approved plans by Sinotruk to acquire all of Volvo Group's equity interest in the Jinan Huawo Truck Corporation joint venture.

Summary of US Economic News

Indicator	Change/Index	Comments
Producer Price Index – July 2010	+0.2%	Due to higher food prices, inflation at the producer level increased 0.2% in July, following a 0.5% fall in June. The July boost matched analysts' forecast.
Housing Market Index – August 2010	13	Following the end of federal tax credit program in the spring, the housing market index fell the third month in a row in August to 13 and was down nine points from a recovery peak of 22 in May.
Industrial Production – July 2010	+1.0%	Manufacturing sector faltered in June but showed significant resurgence in July. Overall industrial production in July jumped 1.0%, following a revised 0.1% down tick in June.
Initial jobless claims – week ended 14 th August 2010	+16,000	Initial jobless claims edged higher, indicating that businesses continued to cut costs. The figure came in at 500,000 for the week ended August 14 week, the largest total since November 2009.

Major Earnings Results Announcements During the Week

Stock	Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
CLP Holdings (00002)	HK\$5,921m	+83%	The power producer posted strong gain because of increased returns from projects outside HK and a one-off tax benefit.	+0.61%
PICC Property and Casualty (02328)	RMB2,645m	+3206%	PICC reported a remarkable improvement in the quality of underwriting business.	+17.0%
Angang Steel (00347)	RMB2,767m	1H09: loss of RMB1,549	The profit hike was attributed to higher product prices and more sales during 1H10.	-0.34%
CITIC Pacific (00267)	HK\$4,884m	+97.9%	CITIC Pacific's profit was boosted by improvement in steel and real estate businesses.	+4.52%
Bank of Communications (03328)	RMB20,357 m	+30.1%	The y-o-y rise in net profit was due to a recovery in lending profitability and a rapid expansion in fee-based business.	+1.54%
China Merchants Bank (03968)	RMB13,203 m	+59.8%	China Merchants Bank reported its net profit growth of 60% because of wider lending margins and strong growth in both interest and fee-based income.	-1.48%
China Mobile (00941)	RMB57,643 m	+4.2%	Net profit rose marginally amid expansion in the low-end rural areas and rising competition among the three PRC mobile operators.	+0.3%
CNOOC (00883)	HK\$25,988m	+109.6%	Higher net profit was due to a decent rebound of crude oil prices.	+3.43%

**Forthcoming Important Announcements / Events**

23 rd August 2010 (Monday)	HK	:	China Resources Power (00836) – interim results Towngas China (01083) – interim results Aluminium Corporation of China (02600) – interim results Hunan Nonferrous Metals (02626) – interim results China National Building Material (03323) – interim results West China Cement (02233) – trading debut
	US	:	No important news or announcements
24 th August 2010(Tuesday)	HK	:	Hong Kong and China Gas (00003) – interim results K. Wah International (00173) – interim results Shimao Property (00813) – interim results
	US	:	Existing Home Sales – July 2010
25 th August 2010 (Wednesday)	HK	:	PCD Stores (00331) – interim results ICBC (Asia) (00349) – interim results Jiangxi Copper (00358) – interim results SOHO China (00410) – interim results China Agri-Industries (00606) – interim results Fosun International (00656) – interim results China Telecom (00728) – interim results Air China (00753) – interim results PetroChina (00857) – interim results Ping An Insurance (02318) – interim results China Life (02628) – interim results
	US	:	New Home Sales – July 2010 Durable Goods Order – July 2010
26 th August 2010 (Thursday)	HK	:	Henderson Land Development (00012) – interim results China Resources Enterprise (00291) – interim results Kerry Properties (00683) – interim results China Unicom (00762) – interim results ICBC (01398) – interim results Bank of China (Hong Kong) (02388) – interim results Bank of China (03988) – interim results External Merchandise Trade Statistics for July 2010
	US	:	Initial jobless claims – the week ended 21 st August 2010
27 th August 2010 (Friday)	HK	:	Guoco Group (00053) – interim results
	US	:	GDP – Q2 2010 Consumer Sentiment – August 2010



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