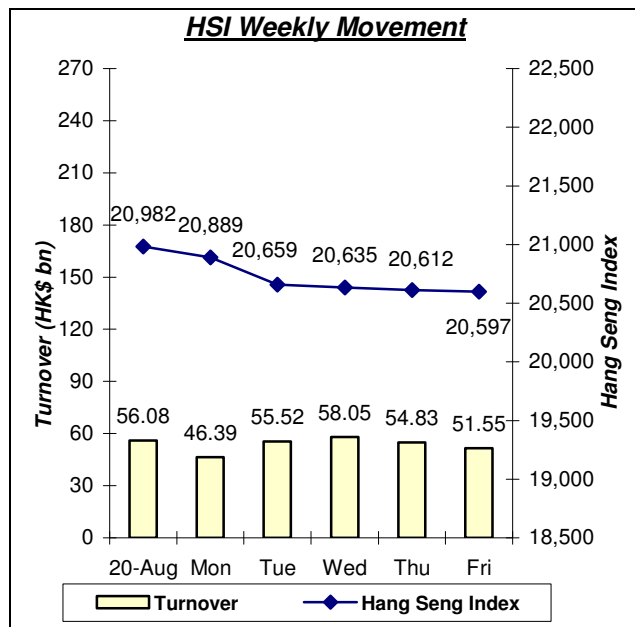


HSI finished lower on concerns about the global economic slowdown



Weekly Market Statistics

Week ended	27/8/2010	20/8/2010	Change	%
Hang Seng Index	20,597	20,982	-384	-1.8%
HS Red Chip Index	3,953	4,014	-61	-1.5%
HS China Enterprises Index	11,395	11,780	-385	-3.3%
HS Hong Kong 35 Index	2,182	2,202	-21	-0.9%
HS Mainland 100 Index	6,526	6,702	-176	-2.6%
Growth Enterprise Index	743	778	-35	-4.5%
Avg Daily Turnover (HK\$ bn)	53.3	57.1	-4	-6.7%
Sectoral Indices				
Finance	30,538	31,199	-661	-2.1%
Utilities	41,273	41,061	+211	+0.5%
Properties	26,943	27,139	-196	-0.7%
Comm & Ind	11,283	11,528	-245	-2.1%

Review & Outlook of Market Performance

Extending last Friday's weakness, Hong Kong shares fell further for five more straight days as the weaker-than-expected US economic data announced during the week (including home sales and durable goods orders) continued to weigh on market sentiment. Rumour of property tax in China and no lending from Agricultural Bank of China also hurt market sentiment on Mainland property developers. Week-on-week, the HSI dropped 1.83% to 20,597.35, while the HSCEI lost 3.3% to 11,395.05. The daily average turnover amounted to HK\$53.3 billion, down from HK\$57.1 billion in the previous week.

The Hang Seng Index heavyweight, HSBC was down 1.6% w-o-w on news that it would buy up to 70% of South Africa's Nedbank for HK\$52.95 billion. China Life tumbled 9.8% w-o-w as investors were disappointed by its interim results. The insurer said both its first-year premiums and new business value grew below forecasts while its solvency margin plunged. Aluminium Corporation of China lost 7.6% w-o-w despite it saw a turnaround in its interim results from a loss. SOHO China rose 4.6% w-o-w after reporting a 136 times increase in its net profit to RMB1.72 billion. On IPO front, West China Cement and Bright Smart reported first-day return of 8.8% and 14.8% respectively, after surging as high as 16.3% and 17.8% on their respective trading debuts on Monday and Wednesday. West China and Bright Smart finally ended the week at HK\$2.03 and HK\$1.55 respectively, up 20.1% and down 3.1% from their respective offer prices.

Market attention next week will focus on corporates earnings (e.g. China Merchants Holdings, China Communications Services, Sino Land and Esprit), China's PMI as well as job data and consumer confidence in the US. The HSI is expected to test the support level of 20,000 in the coming week amid uncertainties over the global economy.

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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
27th August	9,985.81*	2,118.69*	8,991.06	2,947.83	1,411.45	900.37	7,722.91
20th August	10,213.62	2,179.76	9,179.38	2,936.48	1,395.02	893.92	7,927.31
Change	-227.81	-61.07	-188.32	+11.35	+16.43	+6.45	-204.40
%	-2.2%	-2.8%	-2.1%	+0.4%	+1.2%	+0.7%	-2.6%

Remarks: (*) closing at of 26th August 2010

Major Changes in Index Constituent Stocks (Week ended 27th August 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @27/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life	02628	HK\$30.1	-HK\$3.25	-9.75%	Shares tumbled since Thursday after its disappointing results. The insurer said both first-year premiums and new business value grew below forecasts while the solvency margin plunged.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @27/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
ZTE	00763	HK\$27.70	+HK\$0.90	+3.36%	ZTE announced on Monday to build a mobile network (including 2G, 3G and 4G) for the Hungarian unit of Norway's Telenor ASA. However, ZTE did not disclose the value of the deal.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @27/8/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Yuexiu Property	00123	HK\$1.74	-HK\$0.13	-6.95%	Yuexiu's 1H results declined by 53.1% y-o-y to RMB1.04 billion on reduced booking of gross floor area, as most projects will only be completed in 2H 2010. Presale in 7M 2010 was RMB5.4 billion, up 156.4% y-o-y and the company has so far accomplished 68% of its FY 2010 presale target.



Summary of US Economic News

Indicator	Change/Index	Comments
Existing Home Sales – July 2010	-27.2% m-o-m	Existing home sales fell unexpectedly by 27.2% m-o-m in July to 3.83 million on heavy supply, heavy foreclosures and distressed sales.
New Home Sales – July 2010	-12.4% m-o-m	New home sales fell unexpectedly by 12.4% m-o-m in July to a record low of 276,000 units due to the lack of government housing stimulus since the expiration of second-round housing stimulus in April this year.
Durable Goods Order – July 2010	+0.3% m-o-m	New factory orders for durable goods rose 0.3% m-o-m in July, following a 0.1% decline in June, led by the transportation component. The rebound came in significantly below the market consensus for a 2.5% gain.
Initial jobless claims – the week ended 21 st August 2010	-31,000	Initial jobless claims fell 31,000 to 473,000 from a revised 504,000 figure in the previous week, easing concern over slashing payrolls by US employers upon a slowdown in the US economy. The four-week average increased 486,750 from 483,500 in the previous week.

Major Earnings Results Announcements During the Week

Stock	Net profit	y-o-y change	Drivers of performance	Share price w-o-w chg
China Construction Bank (00939)	HK\$80.97 billion	+26.8%	The strong earnings growth was due to higher interest and fee-based income, and a sharp decline of impairment losses.	-1.8%
Sinopec Corp (00386)	RMB35.5 billion	+6.7%	The better-than-expected growth in net profit was due to higher contribution from exploration and effective cost control.	-3.6%
Yanzhou Coal (01171)	RMB2.72 billion	+34.1%	The net profit growth was driven by strong coal price and volume growth. However, its profit margin failed to impress on higher cost from newly operated units and a foreign exchange loss from its Australian unit.	-4.5%
China Resources Power (00836)	HK\$2.46 billion	+8.5%	The earnings growth was mainly driven by the stronger power generation in 1H 2010 and coal production from consolidated coal mines.	-0.8%
Aluminium Corporation of China (02600)	RMB531 million	Turnaround from a loss of RMB3.52 bn	A turnaround from a loss of RMB3.52 billion, thanks to an increase in alumina and aluminium prices, as well as sales volume.	-7.6%
China National Building Material (03323)	RMB1.07 billion	+25.7%	The net profit growth was driven by higher sales of cement and clinker, which rose 48.3% y-o-y to 70.12 million tonnes.	-6.0%
Hong Kong and China Gas (00003)	HK\$ 2.97 billion	-1.1%	On a recurring basis, HKCG's core earnings were up 14.4% y-o-y to HK\$2,465m during 1H 2010.	-0.4%

ICBC (Asia) (00349)	HK\$1.23 billion	+32.1%	The satisfactory interim results were primarily driven by higher loan volume and the decline in operating expense on absence of Lehman Mini-bonds provision.	+0.5%
Jiangxi Copper (00358)	RMB2.20 billion	+73%	Copper cathode production volume rose 22.2% YoY to 452,000 tonnes. It recorded a hedging gain of Rmb11m and a foreign exchange gain of Rmb3.5m against the previous loss of Rmb1.7m.	-3.6%
SOHO China (00410)	RMB1.72 billion	+136 times	Contract sales amounted to RMB13.6bn, with average selling price of RMB53,000 per square meters, representing 76% of full year sales target.	+4.6%
China Telecom (00728)	RMB 9.08 billion	+0.8%	Excluding upfront connection fees, net profit rose 4.7% y-o-y to RMB 8.81 billion, beating the average estimate by nine brokerages of RMB 8.39 billion.	-2.1%
Air China (00753)	RMB4.6 billion	+423.6%	The strong interim results benefited from a turnaround in passenger and cargo traffic as well as stable crude prices in 1H 2010.	-4.9%
PetroChina (00857)	RMB65.3 billion	+29%	Although the upstream operating profit had doubled y-o-y on the back of higher oil or gas prices, the worse-than-expected downstream refining and petrochemicals divisions dragged down the firm's overall profit growth.	-2.5%
Ping An Insurance (02318)	RMB9.61 billion	+28%	There was robust earning growth in non-life business.	0.0%
China Life (02628)	RMB 18.03 billion	+7.4%	Moderate gain in written premiums but solvency margin fell sharply.	-9.7%
Henderson Land Development (00012)	HK\$7.66 billion	+75.2%	Underlying net profit dropped 37% y-o-y on cancellation of property sales during the period, amounting to HK\$776 million.	-2.1%
China Resources Enterprise (00291)	HK\$4.24 billion	+266.4%	Excluding the after-tax effect of revaluation of investment properties and major disposals, underlying net profit would have increased by 18.9% y-o-y to HK\$1.07 billion.	-2.8%
Kerry Properties (00683)	HK\$2.65 billion	+41.4%	The growth in net profit was due to stronger property sales in Hong Kong and revenue increase in logistic operations.	+1.0%
ICBC (01398)	RMB84.60 billion	+27.4%	Higher earnings driven by higher net interest income and robust loan growth.	0.0%
Bank of China (Hong Kong) (02388)	HK\$7.19 billion	+7.5%	Results below market expectation on softer top-line revenue and higher operating expenses.	+1.0%
Bank of China (03988)	RMB52.02 billion	+26.7%	BOC recorded slight profit drop in 2Q10 because of a fall in fee income.	-2.2%

**Forthcoming Important Announcements / Events**

30 th August 2010 (Monday)	HK	:	Wheelock (00020) – interim results Chinese Estates (00127) – interim results China Merchants Holdings (Int'l)(00144) – interim results China Strategic (00235) – interim results Shanghai Industrial (00363) – interim results China Railway (00390) – interim results
	US	:	Personal income and outlays – July 2010
31 st August 2010(Tuesday)	HK	:	Galaxy Entertainment (00027) – interim results Hopewell Holdings (00054) – interim results China Communications Services (00552) – interim results C C Land (01224) – interim results KWG Property (01813) – interim results Guangzhou Automobile (02238) – interim results Mengniu Dairy (02319) – interim results Retail sales – July 2010
	US	:	Chicago purchasing manager index – August 2010 Consumer confidence – August 2010 FOMC minutes
1 st September 2010 (Wednesday)	HK	:	No important events/ announcement
	US	:	ISM manufacturing index – August 2010 Construction spending- July 2010
2 nd September 2010 (Thursday)	HK	:	Sino Land (00083) – final results Esprit (00330) – final results
	US	:	Initial jobless claims – for the week ended 28 th August 2010 Productivity and costs – 2Q 2010 Factory orders – July 2010 Pending home sales – July 2010
3 rd September 2010 (Friday)	HK	:	Purchasing managers index – August 2010
	US	:	Employment situation – August 2010 ISM non-manufacturing index – August 2010



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