



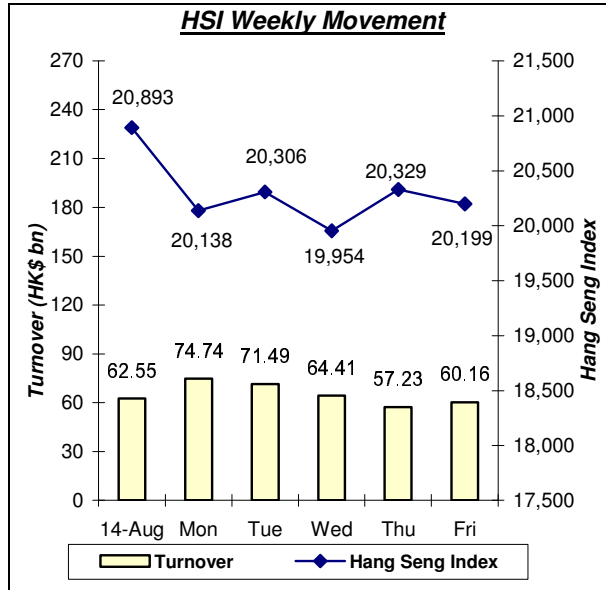
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Analyst: Paul Sham

Weekly Report

21<sup>st</sup> August 2009

### Correction in A-share markets weighed down the local bourse



Week ended	8/21/2009	8/14/2009	Change	%
Hang Seng Index	20,199	20,893	-694	-3.3%
HS Red Chip Index	4,021	4,314	-293	-6.8%
HS China Enterprises Index	11,465	11,900	-435	-3.7%
HS Composite Index	2,797	2,907	-110	-3.8%
HS HK Composite Index	2,035	2,070	-34	-1.7%
HS Mainland Composite Index	3,717	3,912	-194	-5.0%
Growth Enterprise Index	625	646	-21	-3.3%
Avg Daily Turnover (HK\$ bn)	65.6	68.7	-3	-4.6%
Sectoral Indices				
Finance	30,745	31,714	-969	-3.1%
Utilities	37,020	37,588	-568	-1.5%
Properties	26,610	26,576	+34	+0.1%
Comm & Ind	10,803	11,351	-547	-4.8%

### Review & Outlook of Market Performance

Kicking off the week, Hong Kong stocks plunged sharply by 755 points, the most in more than four months, as the market tracked steep declines in the Mainland bourses. The A-share market posted its largest drop in nine months amid concerns that big institutional investors were cashing out of the market and government might apply tightening measures to curb the housing price bubble. The local bourse continued to fall below the psychologically important 20,000-point level for the first time since July 24 on Wednesday. Shares on the mainland markets subsequently recouped some of their recent steep losses, propping up Hong Kong-listed stocks in the later sessions. The HSI ended the week at 20,199, down 694 points or 3.3%. Average daily turnover amounted to HK\$65.6 billion, down from HK\$68.7 billion in the previous week.

Hong Kong's unemployment rate for May to July stayed near a four-year high at 5.4%, unchanged from the April to June period. But the government warned the figure could go higher as the entry of fresh graduates will push up the unemployment rate in the next two months. On the other hand, Hong Kong's composite consumer price index last month fell 1.5%, the biggest decline since April 2004. The underlying inflation is expected to remain slightly negative in the coming months given local price pressures continue to subside and import prices remain soft.

On the IPO front, although Sundart International (02288.HK)'s retail tranche was oversubscribed by 717 times, the weak regional markets hindered its performance on the first trading day. The shares of the newcomer disappointed the market by finishing its trading debut at HK\$3.90, 6.7% lower than its offer price of HK\$4.18.

The earnings season goes on with a number of HSI constituent companies due to announce their report cards next week, including China Life, Esprit, PetroChina, CNOOC, Bank of China, BOCHK, Henderson Land and China Shenhua. Corporate earnings announced so far were satisfactory, with most of the results in-line with market expectations. Nevertheless, further correction in the PRC markets would be the near-term market risk and we see the HSI to retest the 20,000 level 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
21st August	9,350.05*	1,989.22*	10,238.20	2,544.86	1,163.79	644.63	6,654.80
14th August	9,321.40	1,985.52	10,597.33	2,631.51	1,188.57	654.25	7,069.51
Change	+28.65	+3.70	-359.13	-86.65	-24.78	-9.62	-414.71
%	+0.3%	+0.2%	-3.4%	-3.3%	-2.1%	-1.5%	-5.9%

Remarks: (\*) closing as of 20<sup>th</sup> August 2009**Major Changes in Index Constituent Stocks (Week ended 21<sup>st</sup> August 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @21/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Hang Lung Properties	00101	HK\$26.50	+HK\$1.15	+4.54%	Hang Lung Properties bucked the market downward trend as the local residential property market continued to heat up. About 360 flats in HarbourSide (a joint venture of MTR Corp and Hang Lung Properties above Kowloon station) had been sold since the project was re-launched for sale on 10 <sup>th</sup> August 2009, allowing the developers to reap HK\$6 billion in revenue from the sales.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @21/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Beijing Airport	00694	HK\$4.65	-HK\$0.5	-9.71%	Citigroup downgraded Beijing Capital Airport to "sell" from "buy", citing that intensive military maneuvers prior to the PRC's 60th anniversary started to disrupt flights in Beijing, slowing flights growth to 9% since June.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @21/8/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	00941	HK\$80.00	-HK\$8.75	-9.86%	China Mobile reported its first quarterly profit decline in 10 years in 2Q09 as growth slowed and competition intensified in the third-generation market.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing Starts – July 2009 M/M Change	-1%	Homebuilding in July slipped from June's gain but remained above recent lows. Housing starts in July decreased 1.0%, following a 6.5% boost the month before.
Producer Price Index – July 2009 M/M Change	-0.9%	Inflation at the producer level in July fell sharply on declines in both food and energy. The decline in July was greater than the market forecast for a 0.3% dip.
Initial jobless claims – week ended 15 <sup>th</sup> August 2009	+15,000	Initial claims rose 15,000 to 576,000, pointing to no improvement for August payroll data. The result was well above expectations for 550,000.

**Forthcoming Important Announcements / Events**

24 <sup>th</sup> August 2009 (Monday)	HK	:	Jiangxi Copper (00358) – interim results China Resources Power (00836) – interim results Aluminum Corporation of China (02600) – interim results
	US	:	No important announcement/event
25 <sup>th</sup> August 2009 (Tuesday)	HK	:	The Bank of East Asia (00023) – interim results Dongfeng Group (00489) – interim results Air China (00753) – interim results Country Garden (02007) – interim results China Life (02628) – interim results China National Building Materials (03323) – interim results External Merchandise Trade Statistics – July 2009
	US	:	Consumer Confidence – Aug 2009
26 <sup>th</sup> August 2009 (Wednesday)	HK	:	Wharf Holdings (00004) – interim results Wheelock (00020) – interim results Great Eagle (00041) – interim results CITIC Pacific (00267) – interim results Esprit (00330) – interim results Kerry Properties (00683) – interim results CNOOC (00883) – interim results
	US	:	Durable Goods Orders – July 2009 New Home Sales – July 2009
27 <sup>th</sup> August 2009 (Thursday)	HK	:	HK & China Gas (00003) – interim results China Railway (00390) – interim results China Telecom (00728) – interim results PetroChina (00857) – interim results CITIC Bank (00998) – interim results China Railway Construction (01186) – interim results China COSCO (01919) – interim results BOCHK (02388) – interim results Bank of China (03988) – interim results
	US	:	Initial jobless claims – 22 <sup>nd</sup> August 2009 GDP – Q209
28 <sup>th</sup> August 2009 (Friday)	HK	:	Henderson Land (00012) – interim results China Unicom (00762) – interim results China Shenhua (01088) – interim results China Merchants Bank (03968) – interim results
	US	:	Personal Income and Outlays – July 2009



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