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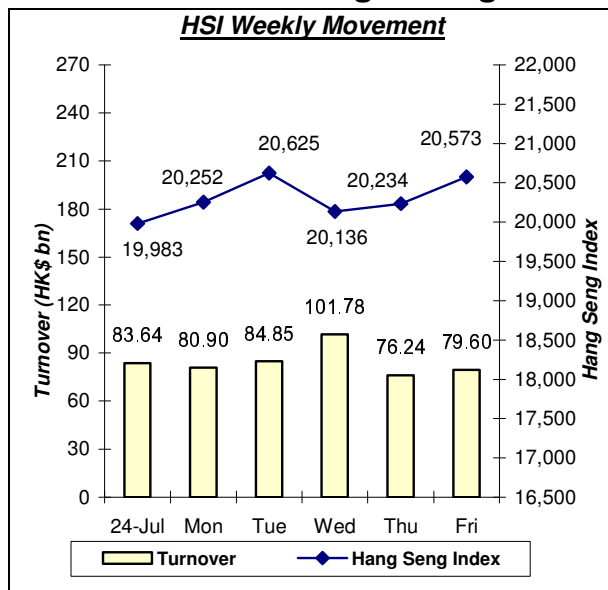
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**HONG KONG RESEARCH****Restricted circulation**

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**Weekly Report**31<sup>st</sup> July 2009**Relief of tightening concerns pushed HK shares higher**

<b>Weekly Market Statistics</b>				
Week ended	31/7/2009	24/7/2009	Change	%
Hang Seng Index	20,573	19,983	+591	+3.0%
HS Red Chip Index	4,150	3,980	+170	+4.3%
HS China Enterprises Index	12,124	11,984	+139	+1.2%
HS Composite Index	2,887	2,795	+91	+3.3%
HS HK Composite Index	2,048	1,966	+83	+4.2%
HS Mainland Composite Index	3,891	3,786	+105	+2.8%
Growth Enterprise Index	644	622	+22	+3.5%
Avg Daily Turnover (HK\$ bn)	84.7	78.4	+6	+8.0%
<b>Sectoral Indices</b>				
Finance	31,252	30,432	+820	+2.7%
Utilities	37,745	36,808	+937	+2.5%
Properties	28,288	26,849	+1,440	+5.4%
Comm & Ind	10,899	10,615	+285	+2.7%

**Review & Outlook of Market Performance**

Amid ample liquidity, Hong Kong stocks started the week in an upbeat tone and stretched its winning streak to four sessions till Tuesday, gathering nearly 1,400 points on its way to a 10-month closing high. Nevertheless, Hong Kong listed shares were dragged down on Wednesday by Mainland stocks in Shanghai bourse after the latter had succumbed to a selling frenzy by falling 5%, posting their biggest daily decline in eight months, amid worries that Mainland banks might begin to restrict lending. Mainland and Hong Kong shares clawed back most all the lost ground in the subsequent sessions after the People's Bank of China dramatically stepped in to calm investors, pledging that the central bank will maintain a "moderately loose monetary policy" and ruled out administrative lending curbs. The benchmark index finished at 20,573.33 on Friday, up 2.96% w-o-w. Trading was more active this week, with average daily turnover up to HK\$84.7 billion, compared with HK\$78.4 billion last week.

IPO fever was seen again in both Hong Kong and the Mainland this week. Locally, BBMG, a Beijing-based building materials maker and property developer, rose 56.3% on its first trading day. BBMG's launch marked the best debut for a large offering in Hong Kong since Alibaba.com soared 192.6% in November 2007. In Shanghai, the share price of Sichuan Expressway even skyrocketed 203% to close on its trading debut, underscoring the strong demand for new equities in the mainland after a nine-month moratorium on new listings. Fuelled by strong interests in IPO, investors defied the market slump on Wednesday and showed enthusiasm for China State Construction Engineering Corp (CSCEC), which raised RMB50.2 billion, the world's largest IPO this year. CSCEC surged as much as 90.4% before closing up 56.22% on its trading debut.

Market attention will be focused on the upcoming US economic figures (personal spending & unemployment rate) to be released next week. Attention should also be given to the results announcements of HSBC Holdings, Hang Seng Bank and Standard Chartered Bank. Current HSI level should have priced-in optimistic expectations for strong corporate earnings recovery. Any negative surprises on their interim results may cause pretty severe corrections in the near term. The HSI may drop below 20,000 level should there be any unpleasant surprises.

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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
30th July	9,154.46*	1,984.30*	10,356.83	2,659.20	1,174.90	624.00	7,077.71
24th July	9,093.24	1,965.96	9,944.55	2,525.81	1,155.88	614.24	6,973.28
Change %	+61.22 +0.7%	+18.34 +0.9%	+412.28 +4.1%	+133.39 +5.3%	+19.02 +1.6%	+9.76 +1.6%	+104.43 +1.5%

Remarks: (\*) closing as of 30<sup>th</sup> July 2009**Major Changes in Index Constituent Stocks (Week ended 31<sup>st</sup> July 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @31/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
New World Development	00017	HK\$18.50	+HK\$1.70	+10.12%	Property stocks outperformed the broad market as new residential lending in the territory soared to its highest on record in June, according to the Hong Kong Monetary Authority, amid low interest rates and new launches.
Sun Hung Kai Properties	00016	HK\$117.90	+HK\$8.70	+7.97%	
Henderson Land	00012	HK\$51.20	+HK\$3.65	+7.68%	

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

Stock	Stock Code	Closing Price @31/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Steel	00347	HK\$17.58	+HK\$2.58	+17.20%	Steelmakers rose after an industry group said China's 71 large and medium-sized steel mills achieved a combined profit of RMB3.55 billion in June following a move into the black in May that was preceded by seven months of losses.
Maanshan Iron	00323	HK\$6.03	+HK\$0.73	+13.77%	

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

Stock	Stock Code	Closing Price @31/7/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Shanghai Industrial	00363	HK\$42.00	HK\$7.90	+23.17%	Shanghai Industrial Holdings had agreed to sell its loss-making semiconductor and dairy units for HK\$2.86 billion, as part of a restructuring in which it will focus on its core businesses.

**Summary of US Economic News**

Indicator	Change/Index	Comments
New Home Sales – Jun 2009	+38,000	Sales of new homes, driven largely by lower housing prices and mortgage rates, increased to a seasonally adjusted annual rate of 384,000 units last month, compared with 346,000 in May. It was the third month in a row of higher sales and the most robust sales pace since November 2008.
Consumer Confidence – Jul 2009	46.6	The confidence index fell to 46.6, down from 49.3 in June and weaker than what economists had expected. The report recorded its second consecutive decline as sentiment remained hampered by a difficult job market.
Durable Goods Orders – Jun 2009	-2.5%	New factory orders for durables in June dropped sharply, largely on a plunge in civilian aircraft orders. Durable goods orders fell back 2.5% in June, following a revised boost of 1.3% the month before. The decline in June was worse than the consensus forecast for a 0.5% dip.
Initial jobless claims – week ended 25 <sup>th</sup> July 2009	+25,000	Initial jobless claims jumped 25,000 to a roughly as-expected level of 584,000. The number was held below levels seen in late June, indicating firings are slowing as the economy stabilizes.

**Forthcoming Important Announcements / Events**

3 <sup>rd</sup> August 2009 (Monday)	HK	:	HSBC Holdings (00005) – interim results Hang Seng Bank (00011) – interim results CK Life Sciences (00775) – interim results Retail Sales Statistics – June 2009
	US	:	ISM Mfg Index – Jul 2009 Construction Spending – Jun 2009
4 <sup>th</sup> August 2009 (Tuesday)	HK	:	Hong Kong Aircraft Engineering (00044) – interim results Standard Chartered (02888) – interim results
	US	:	Personal Income and Outlays – Jun 2009 Pending Home Sales Index – Jun 2009 Kraft Foods – Q2 2009 results Emerson Electric – Q3 2009 results
5 <sup>th</sup> August 2009 (Wednesday)	HK	:	Hongkong Electric (00006) – interim results Cathay Pacific (00293) – interim results
	US	:	ADP Employment Report – Jul 2009 Factory Orders – Jun 2009 ISM Non-Mfg Index – Jul 2009 Procter & Gamble – Q4 2009 results Devon Energy – Q2 2009 results
6 <sup>th</sup> August 2009 (Thursday)	HK	:	Swire Pacific Ltd. 'A' (00019) – interim results Swire Pacific Ltd. 'B' (00087) – interim results Tsingtao Brewery (00168) – interim results Orient Overseas (International) (00316) – interim results Cheung Kong Infrastructure Holdings (01038) – interim results Domestic Export Statistics – 2Q09
	US	:	Initial jobless claims – week ended 1st August 2009 NVIDIA Corporation – Q2 2010 results CenturyTel – Q2 2009 results
7 <sup>th</sup> August 2009 (Friday)	HK	:	Chinasoft International (00354) – interim results Chongqing Iron & Steel (01053) – interim results Harbin Power Equipment (01133) – interim results Zijin Mining Group (02899) – interim results
	US	:	Employment Situation – Jul 2009 Consumer Credit – Jul 2009

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