

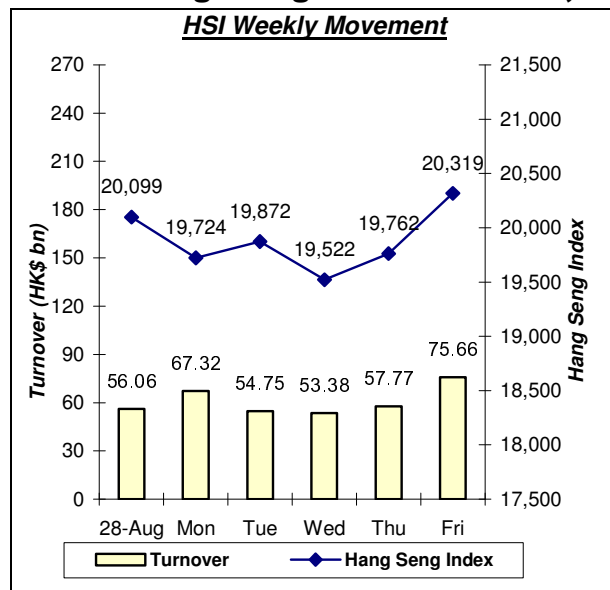
**Restricted circulation**

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**Weekly Report**

4<sup>th</sup> September 2009

## HSI regains ground above 20,000 following intra-week corrections



<b>Weekly Market Statistics</b>				
Week ended	9/4/2009	8/28/2009	Change	%
Hang Seng Index	20,319	20,099	+220	+1.1%
HS Red Chip Index	3,966	3,930	+36	+0.9%
HS China Enterprises Index	11,761	11,434	+327	+2.9%
HS Composite Index	2,816	2,772	+44	+1.6%
HS HK Composite Index	2,026	2,029	-3	-0.1%
HS Mainland Composite Index	3,767	3,672	+95	+2.6%
Growth Enterprise Index	624	623	+1	+0.1%
Avg Daily Turnover (HK\$ bn)	61.8	57.8	+4	+6.9%
<b>Sectoral Indices</b>				
Finance	31,434	30,911	+523	+1.7%
Utilities	38,050	37,630	+420	+1.1%
Properties	26,006	25,884	+123	+0.5%
Comm & Ind	10,679	10,633	+46	+0.4%

### Review & Outlook of Market Performance

Tracking the sharp plunge in A-share markets, the HSI started the week sharply lower. Mainland shares slid 6.74%, the most in 14 months to a three-month closing low on Monday as investors worried about a liquidity drain after media reports had revealed bank lending continued to shrink in August. Thanks to the stock market recovery in China on speculation that the Chinese authorities would take steps to support the stock market, as well as the better-than-expected PMI in August that rose to the fastest pace in 16 months at 54 (from July's 53.3), bullish sentiment was reignited in the local bourse. The HSI finally delivered an astounding breakthrough by soaring 557 points on Friday, to close the week at 20,318.62 points, up 1.1% or 220 points w-o-w. Average turnover was at HK\$61.8 billion, up from last week's HK\$57.8 billion.

In September, IPO activity gained pace with more than 10 listing candidates queuing up in the IPO pipeline. Coming up next week, spotlight will be given to Metallurgical Corp of China, the first A- and H-share dual listing candidate on the Hong Kong bourse in 18 months. The company is the world's second-largest initial offering so far this year, trailing only China State Construction Engineering's A-share issue in July. In addition, drug distributor China National Pharmaceutical Group, known as Sinopharm, will also try to raise HK\$7.8 billion, while Chinese menswear retailer Lilanz is looking to tap the market for HK\$1.5 billion. Shanghai developer Glorious Property and China Resources Cement Holdings, a spin-off from China Resources Holdings, will also launch their retail offerings within September.

Next week, the focus on results announcements should fall on China Communications Construction, Sino Land and China Merchants Holdings. Investors should continue to keep track of the possible macroeconomic measures announced by the PRC government. As the blue-chip index is approaching the ceiling of the trading range in early August, rally in the stock market should slow down next week before any fresh catalysts kick in. The 21,000-point mark should remain a critical barrier for the HSI in the near term.

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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
4th September	9,344.61*	1,983.20*	10,187.11	2,622.69	1,178.74	668.41	7,153.13
28th August	9,544.20	2,028.77	10,534.14	2,642.80	1,174.27	656.98	6,809.86
Change	-199.59	-45.57	-347.03	-20.11	+4.47	+11.43	+343.27
%	-2.1%	-2.2%	-3.3%	-0.8%	+0.4%	+1.7%	+5.0%

Remarks: (\*) closing as of 3<sup>rd</sup> September 2009**Major Changes in Index Constituent Stocks (Week ended 4<sup>th</sup> September 2009)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @4/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
The Bank of East Asia	00023	HK\$27.20	+HK\$1.40	+5.43%	Shares in the Bank of East Asia outperformed the broad market as Guoco Group (00053.HK) increased its stake in the lender to 7.02%. It was the third time this year for Guoco to increase stakes in the local lender.

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

Stock	Stock Code	Closing Price @4/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijing Mining	02899	HK\$7.03	+HK\$0.47	+7.16%	Gold players traded higher as gold prices jumped to a six-month high, reaching \$999.50 an ounce this week, on speculation that a weak dollar will boost demand for precious metals as an alternative investment.

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

Stock	Stock Code	Closing Price @4/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino-Ocean Land	03377	HK\$8.05	+HK\$1.27	+18.73%	Sino-Ocean Land's interim net profit surged 24% to RMB670 million from a year earlier as it benefited from a revaluation gain on a new investment property. Following the interim results, brokerage houses such as Citigroup, Nomura and DBS subsequently upgraded the developer to "buy" ratings.



## Summary of US Economic News

Indicator	Change/Index	Comments
ISM Mfg Index – August 2009	52.9	The ISM's manufacturing index burst over the 50 level for the first time since the beginning of the recession and recorded at 52.9 in August vs. 48.9 in July.
Pending Home Sales Index – July 2009	+3.2% m-o-m	Pending home sales continued to improve. Extending a long streak of gains, the pending home sales index rose 3.2% after a 3.6% rise in June. The y-o-y rise was also very strong at 12.0%.
Construction Spending – July 2009	-0.2% m-o-m	Although overall construction outlays fell in July, the latest report confirmed a likely recovery in housing. There was a significant divergence among components as residential outlays rebounded while public and non-residential construction declined.
Factory Orders – July 2009	+1.3% m-o-m	Factory orders rose 1.3% in July, the biggest increase since June last year and extending a run of solid gains including a 0.9% rise in June.
ISM Non-Mfg Index – August 2009	48.4	The ISM non-manufacturing index rose to 48.4 last month, from 46.4 in July. The data showed the US services sector shrank again in August, but was at its highest level in nearly a year.

## Forthcoming Important Announcements / Events

7 <sup>th</sup> September 2009 (Monday)	HK	:	Chinese Estates (00127) – interim results Real Gold Mining (00246) – interim results Zhong An Real Estate (00672) – interim results Little Sheep (00968) – interim results
	US	:	US Holiday: Labour Day
8 <sup>th</sup> September 2009 (Tuesday)	HK	:	Geely Automobile (00175) – interim results Denway Motors (00203) – interim results SOHO China (00410) – interim results China Agri-Industries (00606) – interim results Franshion Properties (00817) – interim results China Communications Construction (01800) – interim results China Mengniu Dairy (02319) – interim results
	US	:	No important announcement/event
9 <sup>th</sup> September 2009 (Wednesday)	HK	:	Sino Land (00083) – interim results China Yurun Food (01068) – interim results Agile Property (03383) – interim results China Dongxiang (03818) – interim results
	US	:	No important announcement/event
10 <sup>th</sup> September 2009 (Thursday)	HK	:	China Merchants Holdings (00144) – interim results
	US	:	Initial jobless claims – week ended 5 <sup>th</sup> September 2009 International Trade – Jul 2009
11 <sup>th</sup> September 2009 (Friday)	HK	:	China Foods (00506) – interim results
	US	:	Import and Export Prices – Aug 2009 Wholesale Trade – Jul 2009 Treasury Budget – Aug 2009

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