



BEA securities

EAST ASIA SECURITIES COMPANY LIMITED

9/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 3608 8000 Research: 3608 8098 Facsimile: 3608 6113

HONG KONG RESEARCH

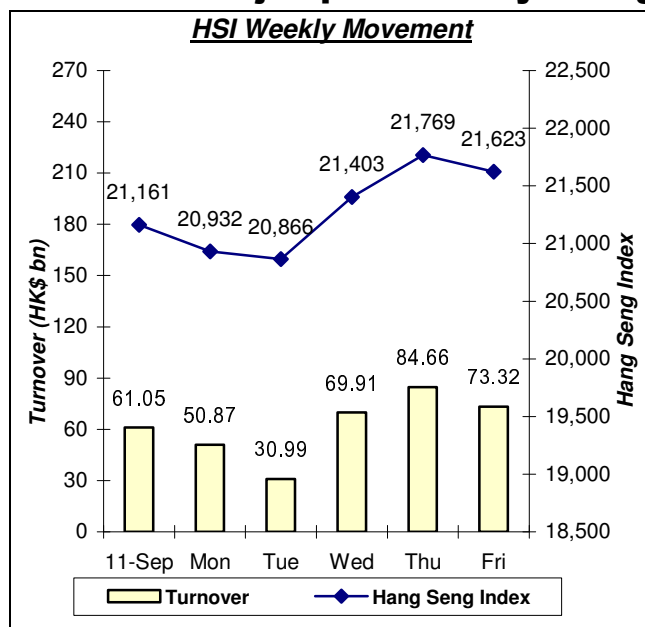
Restricted circulation

Analyst: Kelvin Li

Weekly Report

18th September 2009

HSI jumped to one-year highs on renewed capital inflow



Weekly Market Statistics				
Week ended	18/9/2009	11/9/2009	Change	%
Hang Seng Index	21,623	21,161	+462	+2.2%
HS Red Chip Index	4,030	4,113	-83	-2.0%
HS China Enterprises Index	12,615	12,268	+346	+2.8%
HS Composite Index	2,959	2,922	+37	+1.3%
HS HK Composite Index	2,156	2,101	+55	+2.6%
HS Mainland Composite Index	3,930	3,910	+20	+0.5%
Growth Enterprise Index	660	643	+17	+2.7%
Avg Daily Turnover (HK\$ bn)	61.9	65.3	-3	-5.1%
Sectoral Indices				
Finance	34,227	32,745	+1,481	+4.5%
Utilities	38,096	38,189	-94	-0.2%
Properties	27,419	27,550	-131	-0.5%
Comm & Ind	11,117	11,124	-7	-0.1%

Review & Outlook of Market Performance

Hong Kong stocks hit fresh one-year highs during the week, amid renewed capital inflow and healthy economic figures in the US. Over the week, the Hang Seng Index gained 462 points or 2.18% to 21,623.45, while the HSCEI rose 2.8% to 12,614.57. The daily average of mainboard turnover eased to HK\$61.9 billion, compared with HK\$65.3 billion in the previous week, as the stock market only opened for the afternoon session on Tuesday following the visit of Typhoon Koppu.

The HK stock market picked up steam on Wednesday and hit a one-year high at 21,929 on Thursday, after the Hong Kong Monetary Authority revealed it sold a combined HK\$4.65 billion (US\$600 million) worth of local currency on Tuesday and Wednesday to cap the HK dollar within the trading band – a fresh sign of capital inflow in more than a month. Besides, a set of better-than-expected economic data (e.g. retail sales and industrial output) and contained inflation figures in the US also supported investors' buying spree.

Bellwether HSBC Holdings was the driving force in the HSI during the week, up a sharp 7.8% w-o-w to HK\$91.2, amid improving global economic sentiments. A stronger pound sterling against the greenback also helped boost its share prices. Cathay Pacific outperformed with a 6.79% gain, after the air carrier said to sell part of its interest in the engineering arm HAECO to its parent Swire and would book a profit of HK\$1.27 billion from the disposal. Meanwhile, the two gigantic IPOs, Sinopharm and Metallurgical Corp of China (MCC), priced their respective H-share offerings. Sinopharm was reported to have set its issue price (HK\$16) at the top end of the indicative price range, but MCC only priced its H-share issue (HK\$6.35) near the low end.

The Federal Reserve's policymakers will meet next Tue & Wed, and they are expected to keep interest rates intact, as latest CPI figures showed inflationary pressure stayed contained in the US. In Hong Kong, investors would definitely keep their eyes on the trading debut performance of Sinopharm and MCC, which will be listed on next Wednesday (Sep 23) and Thursday (Sep 24), respectively.

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.



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
18th September	9,783.92*	2,126.75*	10,370.54	2,647.91	1,221.20	713.67	7,526.55
11th September	9,605.41	2,080.90	10,444.33	2,681.03	1,205.77	707.81	7,337.14
Change	+178.51	+45.85	-73.79	-33.12	+15.43	+5.86	+189.41
%	+1.9%	+2.2%	-0.7%	-1.2%	+1.3%	+0.8%	+2.6%

Remarks: (*) closing as of 17th September 2009

Major Changes in Index Constituent Stocks (Week ended 18th September 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @18/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific Airways	00293	HK\$12.90	+HK\$0.82	+6.79%	Cathay Pacific Airways outperformed the blue-chip index during the week, after the air carrier said it will sell part of its interest in aircraft engineering and maintenance associate HAECO (00440) for HK\$1.9 billion to its parent Swire Pacific (00019). Following the deal, Cathay's stake in HAECO will fall to 15% from 27.45%, while that of Swire will increase to 45.96% from 33.52%. Cathay is expected to book a profit of HK\$1.27 billion from the disposal.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	02899	HK\$7.97	+HK\$0.30	+3.91%	Zijin hit 1-1/2-year high during the week, after gold price surpassed the mark of US\$1,000 per ounce on weakness in the greenback.
BYD Company	01211	HK\$63.30	+HK\$4.40	+7.47%	Rally in BYD continued during the week, lifting the counter to a fresh all-time at HK\$69.80. However, it failed to hold much gains, after Warren Buffett said he has no plan to further raise his stake in the company.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/9/09	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Pacific	00267	HK\$22.65	+HK\$1.20	+5.59%	CITIC Pacific saw speculative buying, after it was reported to have hired CITIC Securities to handle its A-share listing work.



Summary of US Economic News

Indicator	Change/Index	Comments
Producer price index – August 2009	+1.7% m-o-m	Producer price index surged 1.7% m-o-m in Aug, much higher than market expectation of a 0.8% rise, mainly driven by gasoline prices.
Retail sales – August 2009	+2.7% m-o-m	Retail sales rose a sharp 2.7% m-o-m in Aug, bucking a 0.2% drop in Jul and consensus forecast of a 2.0% rise. The rise was mainly driven by the US government's Cash for Clunkers program giving an additional boost for automobile sales.
Consumer price index – August 2009	+0.4% m-o-m	CPI rose 0.4% in Aug, slightly above consensus forecast of a 0.3% rise. Excluding energy and food prices, the core CPI inched up 0.1%, which showed inflationary pressure was largely contained.
Industrial production – August 2009	+0.8% m-o-m	Industrial output grew 0.8% in Aug, better than the expected 0.6% increase. Besides, the growth in July was revised up to 1% from the original 0.5%.
Housing starts – August 2009	+1.5%	Housing starts rose 1.5% to an annual rate of 598,000 in Aug from 589,000 in Jul, in line with consensus forecast.
Initial jobless claims – week ended 19 th Sep 2009	-12,000	Initial jobless claims fell 12,000 to 545,000 last week from 557,000 in the previous, better than market expectation of a drop to 557,00.

Forthcoming Important Announcements / Events

21 st September 2009 (Monday)	HK	:	Modern Media Holdings (00072) – interim results Pak Fah Yeow International (00239) – interim results
	US	:	Index of leading economic indicators – August 2009
22 nd September 2009 (Tuesday)	HK	:	Consumer price index – August 2009 361 Degrees International (01361) – final results Renhe Commercial Holdings (01387) – interim results
	US	:	FOMC policy meeting begins
23 rd September 2009 (Wednesday)	HK	:	South Sea Petroleum Holdings (00076) – interim results Global Green Tech Group (00274) – interim results Aeon Credit Service (Asia) Co. (00900) – interim results Trading debut of Sinopharm (01099)
	US	:	FOMC policy statement
24 th September 2009 (Thursday)	HK	:	External trade statistics – August 2009 China Strategic Holdings (00235) – interim results Lingbao Gold Co. (03330) – interim results Lonking Holdings (03339) – interim results Trading debut of Metallurgical Corp of China (01618)
	US	:	Initial jobless claims – week ended 19 th September 2009 Existing home sales – August 2009
25 th September 2009 (Friday)	HK	:	China Star Entertainment (00326) – interim results eSun Holdings (00571) – interim results Wing On Travel (Holdings) (01189) – interim results Trading debut of China Lilang (01234)
	US	:	Durable goods orders – August 2009 Consumer sentiments – September 2009 New home sales – August 2009



Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.