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HONG KONG RESEARCH

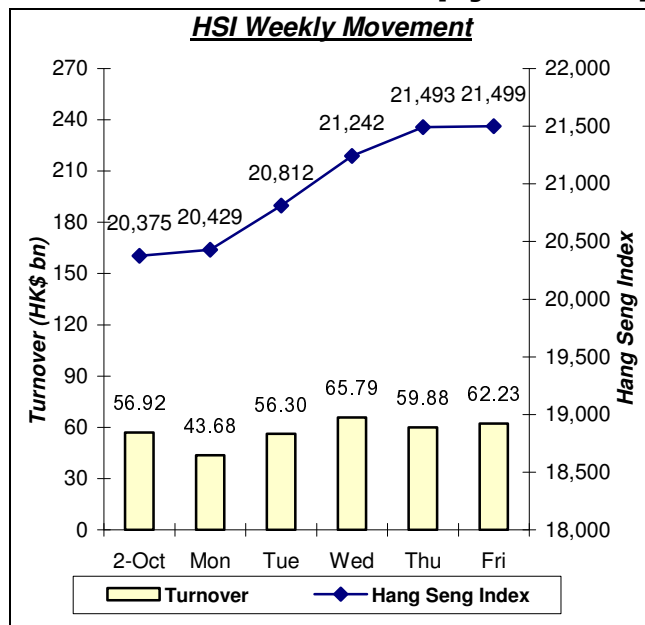
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Weekly Report

9th October 2009

HSI rebounded sharply amid improving global economic sentiment



Weekly Market Statistics				
Week ended	09/10/2009	02/10/2009	Change	%
Hang Seng Index	21,499	20,375	+1,124	+5.5%
HS Red Chip Index	4,037	3,827	+210	+5.5%
HS China Enterprises Index	12,496	11,526	+970	+8.4%
HS Composite Index	2,961	2,808	+154	+5.5%
HS HK Composite Index	2,160	2,084	+76	+3.7%
HS Mainland Composite Index	3,930	3,689	+241	+6.5%
Growth Enterprise Index	658	648	+10	+1.5%
Avg Daily Turnover (HK\$ bn)	57.6	51.7	+6	+11.4%
Sectoral Indices				
Finance	33,567	31,777	+1,789	+5.6%
Utilities	38,160	37,861	+299	+0.8%
Properties	27,881	26,362	+1,519	+5.8%
Comm & Ind	11,195	10,567	+629	+6.0%

Review & Outlook of Market Performance

Hong Kong stocks rebounded sharply during the week, thanks to improved economic sentiment worldwide. Continued influx of capital into the territory also lent a hand to the HK stock market. The Hang Seng Index ended the week at 21,499.44, up a solid 5.5% or 1,124 points w-o-w, while the HSCEI jumped 8.4% w-o-w to 12,496.06. The average daily mainboard turnover surged to HK\$57.6 billion from HK\$51.7 billion in the previous week.

Economic sentiment improved after the Reserve Bank of Australia, the country's central bank, hiked interest rate by 25 basis points. Australia was the first among the G20 to raise interest rate, a fresh sign showing the global economy is out of the woods. Economic figures in the US were also encouraging, which showed that the US services sector regained growth after a year-long contraction and first-time jobless claims fell to a 9-month low. Better economic sentiment and hope for recovery helped push up stock markets around the globe. In HK, strong and persistent buying momentum boosted the blue-chip index to a two-week high. Robust capital inflow (US\$300 million on Wed and US\$1.1 billion on Thu) also supported investor confidence. HK equities ended up for all the five trading days this week but buying momentum became sluggish on Friday, despite a sharp catch-up rally in the Mainland stock markets following the National Day Golden Week, as investors turned cautious given the hefty gains during the period.

Tracking a strong market upsurge, the newly listed shares also performed well in their trading debut. CR Cement ended flat in its trading debut on Monday, while China VTM Mining, Wynn Macau, Yingde Gases and Ausnutria reported gains ranging from 5.1% to 27.5% in their respective debuts.

The stock market will keep their focus on US corporate earnings next week, as major US financial institutions, like JPMorgan, Citigroup, Goldman Sachs and Bank of America, will deliver the quarterly results. After that, investors should turn their eyes on China plays, as most Mainland companies will report their Q3 results during the last two weeks of October. Looking ahead, the HSI is seen consolidating near 21,000-22,000 next week, as buying spree may scale back before the Q3 reporting season.

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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
9th October	9,786.87*	2,123.93*	10,016.39	2,652.51	1,233.82	746.87	7,571.96
2nd October	9,487.67	2,048.11	9,731.87	2,604.53	1,206.25	724.56	7,411.88
Change	+299.20	+75.82	+284.52	+47.98	+27.57	+22.31	+160.08
%	+3.2%	+3.7%	+2.9%	+1.8%	+2.3%	+3.1%	+2.2%

Remarks: (*) closing as of 8th October 2009

Major Changes in Index Constituent Stocks (Week ended 9th October 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @9/10/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific Airways	00293	HK\$13.10	+HK\$1.30	+11.02%	Cathay's CEO Tony Tyler said that the air carrier saw the best week of operation, in terms of passenger volume, so far this year in the last week of September. Besides, Tyler also revealed that Cathay filled a robust 4,941 passengers in its premium-class cabins in a single day during the week, setting a high so far this year.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @9/10/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China COSCO	01919	HK\$10.44	+HK\$1.29	+14.10%	Shipping plays were among the winners in the H-share index, amid a surge in global shipping freight rates on hope of rising demand from China. Besides, a rise in major commodity prices and improved economic sentiment also helped support higher freight rates.
China Shipping Development	01138	HK\$11.42	+HK\$1.97	+20.85%	
Zijin Mining	02899	HK\$8.29	+HK\$0.95	+12.94%	Tracking record high gold prices, Zijin outperformed in the HSCEI. Gold prices set new records above US\$1,060 per ounce amid renewed weakness in the greenback, after Australia hiked interest rates – the first among the G20.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @9/10/09	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$11.26	+HK\$1.02	+9.96%	Offshore oil producer CNOOC revealed that its Huizhou 21-1 gas field, which was damaged by Typhoon Koppu in mid-Sep, has resumed its production level before the storm hit.

**Summary of US Economic News**

Indicator	Change/Index	Comments
ISM non-manufacturing index – September 2009	50.9	The ISM non-manufacturing surged to 50.9 in Sep from 48.4 in Aug, better than market expectation of 50 and marking the highest level in more than a year. A reading above 50 also implied the US services sector resumed growth last month.
Initial jobless claims – week ended 3 rd October 2009	-31,000	Initial jobless claims fell 31,000 to 521,000 last week, much better than consensus forecast of 540,000. The claims level was also at the lowest level since January this year.

Forthcoming Important Announcements / Events

12 th October 2009 (Monday)	HK	:	Hua Yi Copper (00559) – final results Solartech International (01166) – final results
	US	:	Charles Schwab – Q3 2009 results
13 th October 2009 (Tuesday)	HK	:	Shenguan Holdings (00829) – trading debut Chaoda Modern Agriculture (00682) – final results
	US	:	Intel Corporation – Q3 2009 results Johnson & Johnson – Q3 2009 results
14 th October 2009 (Wednesday)	HK	:	Powerlong Real Estate (01238) – trading debut
	US	:	Retail sales – September 2009 Business inventories – August 2009 FOMC minutes – September 2009 JP Morgan Chase & Co. – Q3 2009 results
15 th October 2009 (Thursday)	HK	:	New World Mobile (00862) – final results
	US	:	Consumer price index – September 2009 Initial jobless claims – week ended 10 th October 2009 Citigroup Inc. – Q3 2009 results Goldman Sachs – Q3 2009 results IBM – Q3 2009 results
16 th October 2009 (Friday)	HK	:	No important announcement/event
	US	:	Industrial production – September 2009 Consumer sentiments (preliminary) – October 2009 Bank of American Corporation – Q3 2009 results General Electric – Q3 2009 results



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