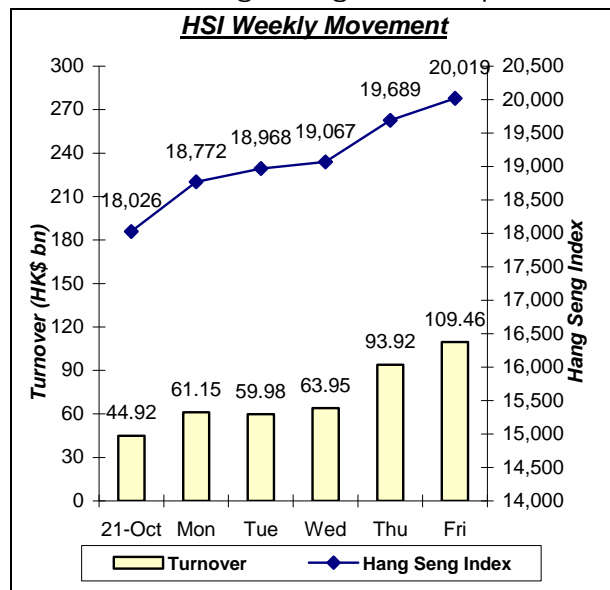


Hong Kong shares poised for the best week in two years



Weekly Market Statistics				
Week ended	28/10/2011	21/10/2011	Change	%
Hang Seng Index	20,019	18,026	+1,994	+11.1%
HS Red Chip Index	3,883	3,460	+423	+12.2%
HS China Enterprises Index	10,625	9,220	+1,405	+15.2%
HS Hong Kong 35 Index	2,220	2,021	+199	+9.8%
HS Mainland 100 Index	6,192	5,461	+731	+13.4%
Growth Enterprise Index	482	462	+20	+4.3%
Avg Daily Turnover (HK\$ bn)	77.7	56.1	+22	+38.4%
Sectoral Indices				
Finance	27,419	24,290	+3,129	+12.9%
Utilities	46,229	46,029	+201	+0.4%
Properties	25,633	22,388	+3,244	+14.5%
Comm & Ind	11,903	10,834	+1,069	+9.9%

Review & Outlook of Market Performance

Hong Kong shares continued its uptrend for the sixth day on Friday (28th October), thanks to the agreement reached amongst European Union leaders on the bailout plan to contain Europe's debt crisis, positive economic data from the US and China as well as market speculation that China would soon ease its monetary policy. After the second summit in Brussels, European leaders boosted the rescue fund's capacity to \$1.4 trillion and carved out a second aid package for Greece, with a 50 percent write-down of Greek debt for the banks. In addition, better-than-expected HSBC Flash China PMI index (51.1 in October vs. 49.9 in September) and accelerated US GDP growth (+2.5% in 3Q11 vs. +1.3% in 2Q11) drove the market higher, which alleviated fears about a hard-landing in China and renewed hope for an economic recovery in the US. Over the week, the HSI gained 11.1% to 20,019, while the HSCEI climbed 12.2% to 10,625. The daily average of Mainboard turnover amounted HK\$77.7 billion over the week, increased notably from HK\$56.1 billion in the previous week, suggesting an improvement in sentiment.

Infrastructure companies especially railway-related shares were the best performing stocks, on hopes that railway projects will resume amid loosening monetary policies in China. Besides, Chinese banks counters advanced on their third quarter earning results this week. In particular, Chongqing Rural Commercial jumped 36.8% week-on-week, which reported robust net profit growth of 44% to RMB1.06bn and beat market expectations. Among underperforming stocks, Mengniu Dairy was down 3.4% week-on-week, after a news (despite being denied by the Company) reported that the company planned to bid for Pfizer's infant-nutrition business. Little Sheep also dropped 11.4% week-on-week, as China's Ministry of Commerce extended the anti-trust review of the buyout bid by its parent company Yum! Brands Inc. Meanwhile, IPO companies namely Technovator International and Fornton Group rose 3.0% and 6.0% on their trading debuts on Thursday and Friday respectively, amid bullish market sentiment.

Looking ahead, the market will eye on the G20 summit held in France from 3rd November to 4th November about China's contribution to the Eurozone's bail-out fund. Supporting by expected positive outcome from the G20 summit, bullish sentiment is likely to persist in the near term, underpinning the Hang Seng Index to test 21,000 level in the coming 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
28th October	12,208.54*	2,738.62*	9,050.47	2,888.50	1,478.46	973.18	7,616.06
21st October	11,541.78	2,598.62	8,678.89	2,712.41	1,438.83	916.34	7,254.51
Change	+666.76	+140.00	+371.58	+176.09	+39.63	+56.84	+361.55
%	+5.8%	+5.4%	+4.3%	+6.5%	+2.8%	+6.2%	+5.0%

Remark: (*) closing at of 27th October 2011

Major Changes in Index Constituent Stocks (Week ended 28th October 2011)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @28/10/2011	W-O-W Change		Remarks / Comments
			Absolute	%	
Chalco	02600	HK\$4.66	+HK\$1.06	+29.4%	Chalco reported a profit of RMB555mn in the third quarter on higher metal prices, compared with RMB117.8mn loss in 3Q10.
China Coal	01898	HK\$10.06	+HK\$1.93	+23.7%	Net profit of China Coal jumped 65.2% y-o-y to RMB2.66bn in 3Q11, with revenue rising 40.3% y-o-y. The re-rating by Morgan Stanley from "Neutral" to "Overweight" also boosted its share price.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @28/10/2011	W-O-W Change		Remarks / Comments
			Absolute	%	
China Railway Group	00390	HK\$3.06	+HK\$0.93	+43.7%	Railway-related shares posted strong gains over the week, as market expected railway projects might resume in next year amid increased bank lending and bond issuance. In addition, China Railway Group has won a US\$1.64bn railway contract in Ethiopia.
China Railway Construction	01186	HK\$5.32	+HK\$1.48	+38.5%	
Bank of China	03988	HK\$2.85	+HK\$0.20	+7.5%	BOC reported a lower-than-expected 3Q11 net profit which grew 9% y-o-y to RMB29.8bn, missing expectations of RMB31.2bn.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @28/10/2011	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	01109	HK\$12.2	+HK\$2.89	+31.0%	Shares of Chinese developers surged, on speculation the Central government might ease restrictions on home purchase. The Minister of Housing and Urban-Urban Development said the government might replace purchase restrictions by taxations.
Poly (Hong Kong) Investments	00119	HK\$3.92	+HK\$0.97	+32.9%	
China Overseas Land & Investment	00688	HK\$15.54	+HK\$3.54	+29.5%	



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – October 2011	39.8	The consumer confidence index showed surprising weakness, which fell 6.6 points to 39.8 in October, due to concerns over business conditions, the labour market and income prospects. Economists originally anticipated a jump of 0.6 point to 46.0 in October.
Durable Goods Order – September 2011	-0.8% m-o-m	New factory orders for durables declined 0.8% m-o-m in September, compared with 0.1% drop in August and market consensus of 1.0% drop. Weakness was primarily in the transportation sector which fell 7.5% m-o-m.
New Home Sales – September 2011	313,000	New home sales rose 5.7% m-o-m in September to a 313,000 annual rate that exceeded market estimate of 302,000. The increase in sales was largely driven by the reduction in new home prices which dipped 3.1% m-o-m.
Initial jobless claims – week ended 22 nd October 2011	402,000	Initial jobless claims are holding steady and are slightly better than the level seen in the previous week of 403,000. This showed that employers were not scaling back their workforces.
GDP – 3Q 2011	+2.5%	GDP growth improved to 2.5% from 1.3% growth in the second quarter, boosted by the strength of fixed asset investment and personal consumption expenditures. The GDP growth is in-line with market expectations of a 2.5% gain.
Pending Home Sales Index – September 2011	-4.6% m-o-m	Weakness in existing home sales suggested a combination of weak consumer confidence and tight credit conditions which were holding back homebuyers. The decline in the pending home sales index deepened from 1.2% drop in August.

Major Earnings Results Announcements During the Week

Stock	Net profit (Q1-Q3)	y-o-y change	Drivers of performance	Share price w-o-w chg
ICBC (01398)	RMB163.8bn	+28.8%	ICBC's net interest income rose 20.5% y-o-y, helped by a widening net interest margin, while fee income grew more decently by 43.5% y-o-y.	+21.0%
China Minsheng Banking Corp (01988)	RMB21.4bn	+64.4%	The result of Minsheng was the strongest among H-share banks due to lower base effect. Its net interest income jumped 44.7% y-o-y and net fee income also doubled.	+14.9%
China Life Insurance (02628)	RMB16.7bn	-33.0%	China Life posted a bigger-than-expected 45.7% y-o-y drop in 3Q11, impacted by weak investment returns due to market volatility.	+14.7%
Bank of Communications (03328)	RMB38.4bn	+30.1%	Similar to other rivals, BoCom benefited from better pricing margins on loans and wider non-interest income. Its net interest income gained 23.3% y-o-y while fee income surged 41.1%.	+17.8%



Bank of China (03988)	RMB96.3bn	+21.5%	BOC's net interest income growth (+18.8% y-o-y) was weaker than peers as it had more low-margin overseas operation. Net income also grew at a slower pace of 22.9%.	+7.5%
China CITIC Bank (00998)	RMB23.4bn	+35.4%	The results were boosted by higher net interest income (+35.0% y-o-y) and fee income (+50.1%). Core CAR was raised to 10.43% after its A+H rights issues of RMB25.667bn were completed.	+20.2%
BOC Hong Kong (02388)	HK\$18.1bn (Operating profit)	+41.5%	The results included the net recovery of HK\$2,854 million from the collateral of the Lehman Brothers Minibonds in 2Q11.	+7.9%
Ping An Insurance (02318)	RMB14.5bn	+13.8%	The 3Q results were hurt by expenses related to its takeover of Shenzhen Development Bank and a significant drop in investment returns.	+22.3%
Anhui Conch Cement (00914)	RMB9.1bn	+186.6%	Its net profit jumped 186.6% y-o-y, driven by the increase in the product selling price and sales volume during the period.	+28.8%
Jiangxi Copper (00358)	RMB5.47bn	+60.8%	Jiangxi Copper's Q3 earnings fell 3% y-o-y, dragged by inventory impairment and hedging loss amid dropping copper price on global financial crisis during the third quarter.	+31.7%
Chalco (02600)	RMB968mn	+134.4%	Chalco reported solid bottom-line growth in the first three quarters on higher product prices.	+29.4%
COSCO Pacific (01199)	US\$331.5mn	+14.3%	Cosco Pacific's earnings rose 14.3% yoy in the first three quarters, backed by the steady growth of container throughput which grew 16.2% y-o-y.	+19.4%
China Unicom (00762)	RMB4.26bn	+0.28%	Unicom's Q1-Q3 2011 net profit was flat with a 23.3% top-line growth, as marketing expenses depressed margins.	+6.3%
China COSCO (01919)	Loss of RMB4.78bn	Profit of RMB5.64bn in Q1-Q3 2010	China COSCO incurred losses in the first three quarters on tumbling freight rates. It warned to report a loss for the full-year of 2011.	+9.2%
Air China (00753)	RMB7.86bn	-20.3%	Air China's saw a 20% drop in earnings for Q1-Q3 2011 on rising jet fuel expense.	+12.8%
PetroChina (00857)	RMB103.4bn	+3.4%	PetroChina posted steady earnings for Q1-Q3 2011 on solid results from its upstream oil and gas operations.	+10.0%
Sinopec (00386)	RMB60.0bn	+6.3%	Sinopec's Q1-Q3 2011 results were also benefited from its oil and gas exploration and production.	+5.0%
Zijin Mining (02899)	RMB4.5bn	+25.8%	Zijin's earnings was mainly supported by strong gold prices so far this year.	+25.4%

**Forthcoming Important Announcements / Events**

31 st October 2011 (Monday)	HK	:	No important announcements / events
	US	:	No important announcements / events
1 st November 2011 (Tuesday)	HK	:	Retail Sales Statistics for September 2011 Restaurant Receipts and Purchases Statistics for 3rd Quarter 2011
	US	:	ISM Mfg Index - October 2011 Construction Spending – September 2011 FOMC meeting commences Watson Pharmaceuticals Inc – 3Q11 results
2 nd November 2011 (Wednesday)	HK	:	No important announcements / events
	US	:	ADP Employment Report – October 2011-10-25 FOMC policy statement Kraft Foods Inc – 3Q11 results Marsh and McLennan Companies Inc – 3Q11 results
3 rd November 2011 (Thursday)	HK	:	No important announcements / events
	US	:	Initial Jobless Claims – week ended 29 th October 2011 Factory Orders – September 2011 ISM Non-Mfg Index – October 2011 American International Group Inc – 3Q11 results Starbucks Corp – 4Q11 results
4 th November 2011 (Friday)	HK	:	No important announcements / events
	US	:	Employment Situation – October 2011 Washington Post Co – 3Q11 results

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