



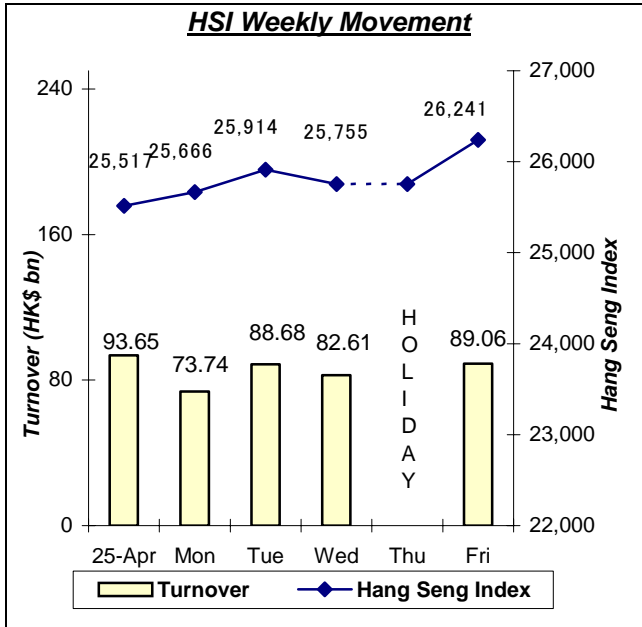
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Weekly Report

2<sup>nd</sup> May 2008

### HSI ended higher following the Wall Street's rally



Week ended	02/5/2008	25/4/2008	Change	%
Hang Seng Index	26,241	25,517	+724	+2.8%
HS Red Chip Index	5,856	5,780	+76	+1.3%
HS China Enterprises Index	14,631	14,222	+410	+2.9%
HS Composite Index	3,689	3,581	+108	+3.0%
HS HK Composite Index	2,719	2,625	+94	+3.6%
HS Mainland Composite Index	48,491	4,763	+43,727	+918.0%
Growth Enterprise Index	891	861	+30	+3.4%
Avg Daily Turnover (HK\$ bn)	83.5	99.7	-16	-16.2%
Sectoral Indices				
Finance	39,136	37,702	+1,433	+3.8%
Utilities	43,861	43,188	+674	+1.6%
Properties	33,156	31,962	+1,194	+3.7%
Comm & Ind	15,030	14,769	+261	+1.8%

### Review & Outlook of Market Performance

Hong Kong shares traded in a choppy fashion early this week as investors booked profits ahead of the 1<sup>st</sup> May Labour Day holiday and the U.S. interest rate meeting. The rally of HSI came late on Friday after the overnight Wall Street gains due to positive US economic data, gains in the US dollar and a drop in oil prices. The benchmark index finished at 26,241.02 on Friday, up 2.84% or 724.24 points w-o-w. Average daily turnover was HK\$83.5 billion, down from HK\$99.7 billion a week earlier.

As expected, the US Fed on Wednesday cut its overnight lending rate by 25 basis points but Hong Kong banks did not follow the Fed's move as they are offering virtually zero savings rates and any further prime rate cut could hurt the banks' interest income. Bank stocks ended generally higher because the decision not to cut rates further is good for their profit margins.

Nevertheless, among local lenders, catching market attention was the 1Q 2008 result announcements of Wing Lung Bank that reported an after-tax loss of HK\$82.53 million, making it the first bank to report a loss since Union Bank and Hong Kong Chinese Bank reported a deficit in 1999 in the aftermath of the Asian financial crisis. The news surprised the market as losses in the banking sector are rarely seen. Analyst speculated the losses tied to the sub-prime crisis may be one of the reasons that the Wu family is seeking to sell and the quarterly loss might prompt the potential buyers to bargain down the selling price.

On the H-shares front, HSCEI jumped 2.88% to 14,631.15, in line with HSI's performance. Shares in Chinese power producers were among the best performers as sources reported that China's top economic planner might submit a proposal to assist the electricity producers.

Looking forward, the market is expected to test higher grounds in the coming weeks on improving outlook in China stock markets. Also, the FOMC signalled that it might be nearing the end of the rate cut cycle, indicating that the financial markets are stabilizing which helps boost the positive sentiment.

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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
<b>Week to</b>							
2nd May	13,010.00*	2,480.71*	14,049.26	3,236.10	1,271.48	843.15	8,963.63
25th April	12,891.86	2,422.93	13,863.47	3,189.20	1,290.13	832.19	8,947.83
<b>Change</b>	+118.14	+57.78	+185.79	+46.90	-18.65	+10.96	+15.80
<b>%</b>	+0.9%	+2.4%	+1.3%	+1.5%	-1.4%	+1.3%	+0.2%

 Remarks: (\*) closing as of 1<sup>st</sup> May 2008

**Major Changes in Index Constituent Stocks (Week ended 2<sup>nd</sup> May 2008)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @2/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
New World Development	0017	HK\$21.40	+HK\$1.58	+7.97%	Interest rate sensitive property plays were among the top blue-chip gainers after the HKMA on Friday lowered the overnight discount window by 25 basis points to 3.50%, following the U.S. Fed's decision to cut its benchmark federal funds rate by 25bps to 2.00% on Wednesday.
Sino Land	0083	HK\$21.5	+HK\$1.60	+8.04%	
Hang Lung Property	0101	HK\$33.75	+HK\$2.10	+6.64%	
FIH	2380	HK\$12.74	+HK\$1.42	+12.54%	FIH, the world's largest contract manufacturer of mobile phones, rallied on market talk that it will be manufacturing the new 3G-enabled version of Apple Inc's iPhone.

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

Stock	Stock Code	Closing Price @2/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$8.69	+HK\$4.50	+6.27%	Oil prices fell for 4 consecutive sessions to below \$112 a barrel on Friday, pressured by a firm dollar, easing supply worries in major crude exporter Nigeria, and concerns that demand in United States will slow. China oil refiners are among the beneficiaries.

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

Stock	Stock Code	Closing Price @2/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Power	0836	HK\$20.95	+HK\$2.27	+12.15%	Media reported that the Mainland's top economic planner might submit a proposal to the cabinet within days seeking assistance for power-generating firms squeezed by soaring coal costs and fixed electricity rates.
China Power	2380	HK\$2.90	+HK\$0.25	+9.43%	

**Summary of US Economic News**

Indicator	Change/Index	Comments
FOMC Meeting Announcement	-0.25%	As expected, the FOMC cut the fed funds rate by 25bps to 2.00% – the lowest since November 2004 – which brings the grand total of rate cuts since last September to 325bps. However, the FOMC also signalled that it might be nearing the end of the rate cut cycle.
Real GDP – Q1 2008 Q/Q change	+0.6%	The modest rise in real GDP reflected continued strong exports, a small rise in inventories, and continued healthy services personal consumption but weakness was seen in private consumption expenditures and non-residential fixed investment.
ISM Mfg Index – Apr 2008	48.6	The ISM manufacturing index was unchanged at 48.6 in April, just under the breakeven 50 level to indicate very slight month-to-month contraction in business conditions.
Personal Income – Mar 2008 – M/M change	+0.3%	Personal income in March came in moderately healthy. The wages and salaries component posted a robust 0.5% gain, following a moderate 0.3% gain the month before. On the spending side, personal consumption rose 0.4%, led by a jump in services with non-durables and by higher gasoline prices.
Consumer Spending – Mar 2008 – M/M change	+0.4%	

**Forthcoming Important Announcements / Events**

5 <sup>th</sup> May 2008 (Monday)	HK	: Maoye International (0848) – trading debut
	US	: ISM Non-Mfg Survey – Apr 2008
6 <sup>th</sup> May 2008 (Tuesday)	HK	: <b>Alibaba.com (1688) – Q1 2008 results</b>
	US	: <b>Walt Disney – Q2 2008 results</b> Emerson Electric – Q2 2008 results NYSE Euronext – Q1 2008 results <b>Cisco Systems – Q3 2008 results</b>
7 <sup>th</sup> May 2008 (Wednesday)	HK	: No important announcement/event
	US	: Productivity and Costs – Q1 2008 Pending Home Sales – Mar 2008 Consumer Credit – Mar 2008 Transocean Inc. – Q1 2008 results Devon Energy – Q1 2008 results Expeditors International – Q1 2008 results Cognizant Technology Solutions – Q1 2008 results Allergan – Q1 2008 results Marsh & McLenna Companies – Q1 2008 results
8 <sup>th</sup> May 2008 (Thursday)	HK	: <b>Manulife Financial (0945) – Q1 2008 results</b>
	US	: Chain Store Sales – Apr 2008 Initial jobless claims – the week ended 3 <sup>rd</sup> May 2008 Wholesale Trade – Mar 2008 American International Group – Q1 2008 results NVIDIA Corporation – Q1 2009 results EI Paso Corp. – Q1 2008 results Barr Pharmaceuticals – Q1 2008 results Edison International – Q1 2008 results Progress Energy – Q1 2008 results
9 <sup>th</sup> May 2008 (Friday)	HK	: No important announcement/event
	US	: International Trade – Mar 2008 Clear Channel Communications – Q1 2008 results



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