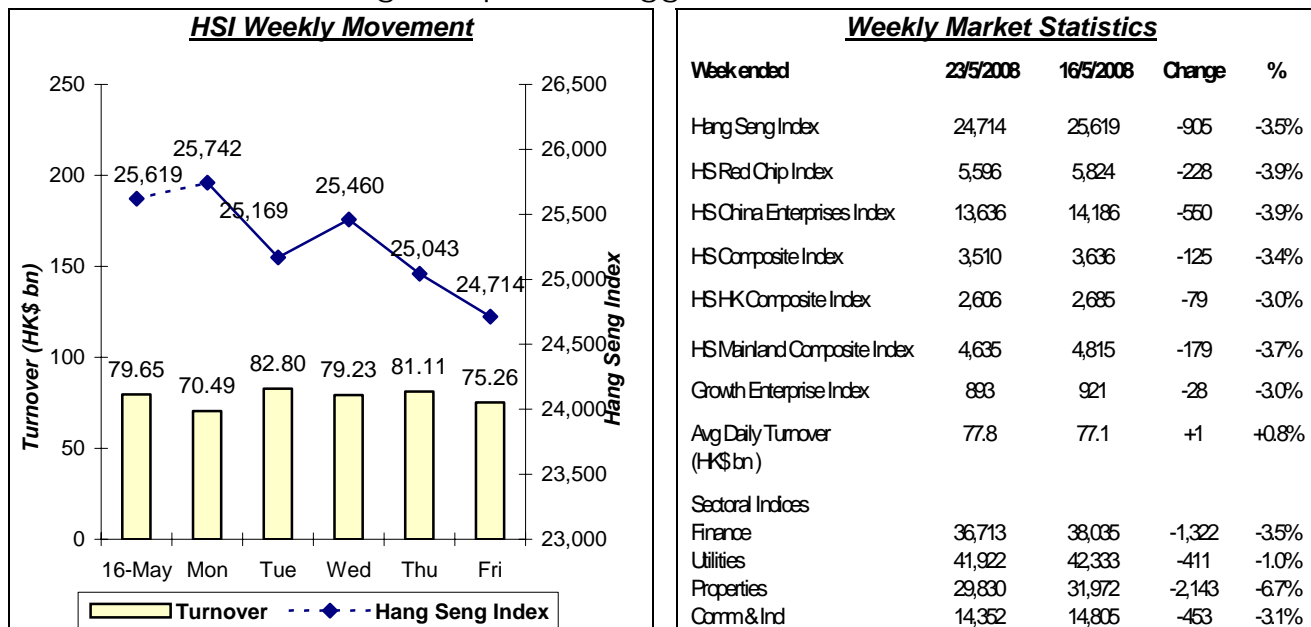


Record high oil price dragged HSI to one-month low

Review & Outlook of Market Performance

Tracking the deepened mainland markets following the Sichuan earthquake, along with oil prices surging to a record high of US\$135 per barrel, the Hang Seng Index lost 904.79 points w-o-w, or 3.53%, to close at 24,714.07. The average daily market turnover was HK\$77.8b, up from HK\$77.1b in the previous week.

Drawing market attention among blue chips is the feud between Sun Hung Kai Properties tycoon Kwok brothers which dragged the company's shares to HK\$123.5 or down 7.7% w-o-w. The dispute has not yet been settled and investors remain extremely cautious on investing SHK Properties on worries that its operations may be undermined by the feud.

On the mainland shares front, government's move influenced the shares in energy and telecom industries. On speculation that Chinese government might relax curbs on fuel prices to boost gasoline and diesel supplies, PetroChina and Sinopec surged accordingly. But the top officials later denied the reports, triggering the sell-off of the 2 oil plays. On the other hand, as Beijing is going to announce changes in top posts at its 4 main telecom operators, which signals the start of a revamp of the telecom industry, shares in Unicom (762) and Netcom (906) jumped 10-12% before they were suspended from trade on Friday.

In the IPO market, helped by the prospect of reconstruction in Sichuan province, Asia Cement (0743) jumped 38% on the stock's debut trading, marking the strongest performance of a new listing since early Feb 08, after the trading debut of New Media (0708). In contrast, Xtep International Holdings (1368), a mainland fashion and sportswear maker, sees only minimal interest from retail investors. Xtep got a tepid HK\$8m margin orders for its HK\$3.03b IPO during the first day of its retail offering.

Looking forward into next week, the market would continue to focus on the oil price trend. Investors are also likely to pay attentions to economic numbers like durable goods orders and new home sales in the US. However, we believe that unless there is a pullback in oil price, the market is hard to sustain any meaningful rebound.

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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 |
|---------------|--------------|-----------|------------------|---------------|---------------------|-------------------|-----------------------|
| Week to | | | | | | | |
| 23rd May | 12,625.62* | 2,464.58* | 14,012.20 | 3,122.15 | 1,274.78 | 875.59 | 8,834.73 |
| 16th May | 12,986.80 | 2,528.85 | 14,219.48 | 3,241.49 | 1,300.67 | 870.33 | 9,197.41 |
| Change | -361.18 | -64.27 | -207.28 | -119.34 | -25.89 | +5.26 | -362.68 |
| % | -2.8% | -2.5% | -1.5% | -3.7% | -2.0% | +0.6% | -3.9% |

 Remarks: (*) closing as of 22nd May 2008

Major Changes in Index Constituent Stocks (Week ended 23rd May 2008)
Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @23/5/08 | W-O-W Change | | Remarks / Comments |
|---------------|------------|------------------------|--------------|---------|---|
| | | | Absolute | % | |
| SHK PPT | 0016 | HK\$123.50 | -HK\$8.80 | -7.70% | The stock has fallen nearly 8% this week on management disputes. Its chairman, Walter Kwok, filed a law suit against his brothers to block the firm's directors from removing him, escalating a power struggle at Hong Kong's largest property developer. |
| Sino Land | 0083 | HK\$18.68 | -HK\$2.17 | -10.41% | The property sector was the top loser in HSI as the US Fed signalled that mounting concerns over inflation would make further interest rate cuts unlikely, giving negative impact to the sales of residential units. |
| Hung Lung PPT | 0101 | HK\$28.50 | -HK\$2.70 | -8.65% | |
| New World Dev | 0017 | HK\$18.62 | -HK\$1.63 | -8.05% | |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @23/5/08 | W-O-W Change | | Remarks / Comments |
|--------------|------------|------------------------|--------------|---------|--|
| | | | Absolute | % | |
| Yanzhou Coal | 1171 | HK\$16.90 | +HK\$1.16 | +7.73% | The company said it has signed a coal supply deal with client Huadian Power (1071) that would boost its 2008 revenue by RMB942.6m. |
| CSCL | 2866 | HK\$3.71 | -HK\$0.61 | -14.12% | Shipping firms traded lower as bunker costs surged. Investors also worried the Baltic Dry Index might be peaking at the current level. |
| China COSCO | 1919 | HK\$23.05 | -HK\$3.70 | -13.83% | |
| Sinotrans | 0598 | HK\$2.40 | -HK\$0.45 | -15.79% | |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @23/5/08 | W-O-W Change | | Remarks / Comments |
|--------------|------------|------------------------|--------------|---------|---|
| | | | Absolute | % | |
| China Netcom | 0906 | HK\$27.05 | +HK\$2.95 | +12.24% | Beijing announced a reshuffle of top posts, spurring hopes that the government will soon unveil a long-awaited restructuring of the industry. |
| China Unicom | 0762 | HK\$18.48 | +HK\$1.70 | +10.13% | |

Summary of US Economic News

| Indicator | Change/Index | Comments |
|---|--------------|---|
| Housing Starts – Apr 2008 | +8.2% | Housing starts rebounded 8.2%, following a sharp 13.8% drop in March. Nevertheless, April's 1.032m units annualized were still down 30.6% y-o-y. |
| Leading Indicators – Apr 2008 | +0.1% | The leading economic indicators inched 0.1% forward in April, the second straight 0.1% gain, suggesting that the economy is only weak but would not dip into recession. |
| Producer Price Index – Apr 2008 M/M change | +0.2% | The overall PPI posted a 0.2% increase, following a sharp 1.1% surge in March and below the consensus forecast for a 0.4% rise. However, market watchers believe the inflation pressures remain quite strong with oil and other commodity prices still high and not yet fully taken into account. |
| FOMC Minutes | - | The FOMC minutes of the April 29-30 meeting gave stronger evidence that the Fed is pausing in cutting interest rates. The Fed lowered its forecast for economic growth and also raised its forecast for inflation. The FOMC consensus was that GDP would contract in the first half but rebound in the second half of 2008. |
| Initial jobless claims – the week ended 17 th May 2008 | -6,000 | Weekly jobless claims pointed to steady conditions in the labour market, suggesting that May's employment report would not show deepening weakness. |

Forthcoming Important Announcements / Events

| | | | |
|---------------------------------------|----|---|---|
| 26 th May 2008 (Monday) | HK | : | Next Media (0282) – Final results Sincere Watch (0444) – Final results Mirabell International (1179) – Final results |
| | US | : | US public holiday – Memorial Day |
| 27 th May 2008 (Tuesday) | HK | : | No important announcement/events |
| | US | : | Consumer Confidence – May 2008 New Home Sales – Apr 2008 |
| 28 th May 2008 (Wednesday) | HK | : | No important announcement/events |
| | US | : | Durable Goods Orders – Apr 2008 |
| 29 th May 2008 (Thursday) | HK | : | No important announcement/events |
| | US | : | GDP (preliminary) – Q1 2008 Initial jobless claims – the week ended 24 th May 2008 Help Wanted Index – Apr 2008 Dell – Q1 2009 results J.J. Heinz Company – Q4 2008 results Big Lots – Q1 2008 results |
| 30 th May 2008 (Friday) | HK | : | No important announcement/events |
| | US | : | Personal Income and Outlays – Apr 2008 Consumer Sentiment – May 2008 Farm Prices – May 2008 Tiffany & Co – Q1 2008 results |



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