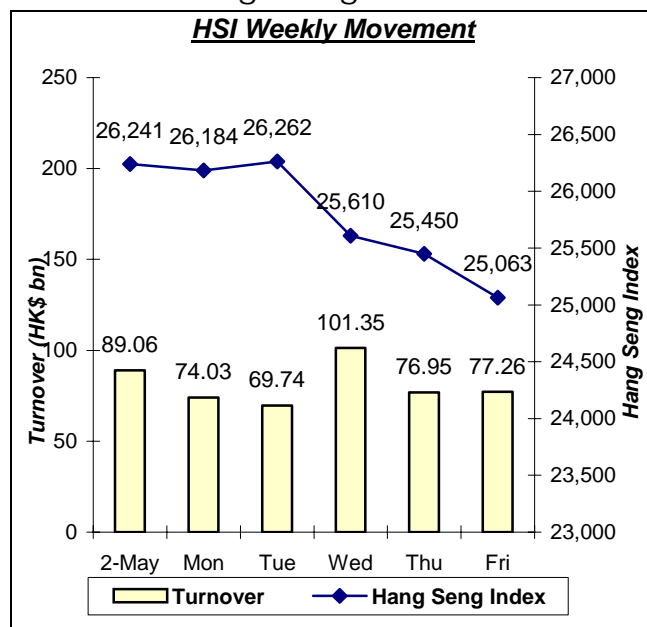


## Hong Kong shares traded lower on record-high oil prices



<b>Weekly Market Statistics</b>				
Week ended	09/5/2008	02/5/2008	Change	%
Hang Seng Index	25,063	26,241	-1,178	-4.5%
HS Red Chip Index	5,669	5,856	-187	-3.2%
HS China Enterprises Index	13,663	14,631	-969	-6.6%
HS Composite Index	3,545	3,689	-144	-3.9%
HS HK Composite Index	2,642	2,719	-77	-2.8%
HS Mainland Composite Index	4,670	4,849	-179	-3.7%
Growth Enterprise Index	908	891	+17	+1.9%
Avg Daily Turnover (HK\$ bn)	79.9	83.5	-4	-4.4%
Sectoral Indices				
Finance	37,227	39,136	-1,908	-4.9%
Utilities	42,388	43,861	-1,473	-3.4%
Properties	31,532	33,156	-1,624	-4.9%
Comm & Ind	14,414	15,030	-616	-4.1%

## Review & Outlook of Market Performance

Hong Kong shares ended lower w-o-w, mainly depressed by record-high crude oil prices and mounting worries of further austerity measures in China. Besides, profit taking after a strong run in April 08, with the blue-chip index up nearly 13% during the month, also dragging down the market. Over the week, the Hang Seng Index fell 1,177.85 points or 4.5% to 25,063.17, while the HSCEI dropped 6.6% to 13,662.58.

Losses in oil giants PetroChina and Sinopec dragged both the blue-chip and the H-share indexes lower, amid record-high crude oil prices. US crude oil futures price set a new high during the week on speculative buying, despite Saudi Arabia's plan to increase oil shipment to the US in the next couple of months. High crude oil prices would lead to huge losses in the refining segment of both PetroChina and Sinopec, as the rigid pricing mechanism of refined oil products in the Mainland has created negative refining margins. Sinopec was the biggest loser in the HSI with a 12.4% fall, while PetroChina ended 9.3% lower w-o-w. Airlines like Cathay Pacific and Air China were also among the losers amid rising energy costs.

Meanwhile, PRC telecoms and mobile operators generally outperformed the market, amid talks of the launch of the long-awaited sector reshuffle plan. Fixed-line plays China Netcom and China Telecom gained 3.0% and 4.1%, respectively, while mobile carrier China Unicom dipped a contained 0.4% w-o-w. Heavyweight China Mobile lost 5.1%, as it might lose some of its competitive edge to its rivals after the sector reshuffle.

Market sentiments turned sour on record-high energy prices. In fact, investors have turned conservative and turned to stay on the sideline during the week ahead of China releasing its April consumer price index next Monday. The CPI growth in the PRC is seen staying flat at 8.3%, which may probably trigger another round of austerity measures, as there is no retreating sign from the ballooning energy and food prices. Depressed by fear for further monetary tightening in the Mainland, it is expected that the HSI would retreat further to near 24,000-24,500 after the three-day weekend break.

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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>							
9th May	12,866.78*	2,451.24*	13,655.34	3,160.03	1,285.27	846.71	8,792.39
2nd May	13,058.20	2,476.99	14,049.26	3,236.10	1,271.48	843.15	8,963.63
<b>Change</b>	-191.42	-25.75	-393.92	-76.07	+13.79	+3.56	-171.24
<b>%</b>	-1.5%	-1.0%	-2.8%	-2.4%	+1.1%	+0.4%	-1.9%

Remarks: (\*) closing as of 8<sup>th</sup> May 2008

**Major Changes in Index Constituent Stocks (Week ended 9<sup>th</sup> May 2008)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @9/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$10.96	-HK\$1.12	-9.27%	PetroChina and Sinopec were among the losers in the blue-chip index, as investors worried that the two oil refiners would see further losses in their refinery operations for the rest of the year amid record-high crude oil prices.
Sinopec	0386	HK\$7.61	-HK\$1.08	-12.43%	

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

Stock	Stock Code	Closing Price @9/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$5.69	-HK\$0.58	-9.25%	Mainland airlines were battered amid rising energy prices. During the week, the New York spot-month light crude oil futures set a new record high above US\$124 per barrel.

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

Stock	Stock Code	Closing Price @9/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$16.92	-HK\$0.06	-0.35%	Mainland mobile and fixed-line network carriers generally outperformed the market, amid talks of a sector reshuffle by as early as the end of next week. Rumours said the Mainland authorities may announce the long-awaited restructuring plan, including reshuffle of top management amongst the mobile and telecom operators, on 17 <sup>th</sup> May (next Saturday), coinciding with the World Telecommunications Day. China Mobile saw a greater drop, as it may lose some of its competitive edge against the other three rivals after the sector reshuffle.
China Netcom	0906	HK\$25.50	+HK\$0.75	+3.03%	
China Mobile	0941	HK\$129.10	-HK\$7.00	-5.14%	

**Summary of US Economic News**

Indicator	Change/Index	Comments
ISM non-manufacturing index – April 2008	52.0	The ISM non-manufacturing index surged to 52.0 in April from 49.5 in March, implying revived growth in the US service sector. It was better than consensus forecast of 49.5.
Productivity (preliminary) – Q1 2008	+2.2%	Productivity in the US grew at an annual rate of 2.2% during the first quarter, better than market expectation of a 1.5% rise. Unit labour costs also rose 2.2% during Q1, but down from a 2.8% rise in the final quarter of 2007.
Pending home sales – March 2008	-1% m-o-m	The National Association of Realtors said the index for pending home sales fell 1% to 83 in March from 83.8 in February, but the drop was in line with market forecast. It was the second straight month setting a new record low for the index.
Initial jobless claims – the week ended 3 <sup>rd</sup> May 2008	-18,000	Initial jobless claims fell 18,000 last week to 365,000, better than consensus forecast of a drop to 375,000.

**Forthcoming Important Announcements / Events**

12 <sup>th</sup> May 2008 (Monday)	HK	:	Market holiday – The Buddha's Birthday
	US	:	No important announcement/event
13 <sup>th</sup> May 2008 (Tuesday)	HK	:	External trade – March 2008
	US	:	<b>Retail sales – April 2008</b> Business inventories – March 2008 <b>Applied Materials – Q2 FY2007/08 results</b> <b>Wal-Mart Stores Inc. – Q1 FY2008/09 results</b>
14 <sup>th</sup> May 2008 (Wednesday)	HK	:	<b>Hong Kong Exchanges and Clearing (0388) – Q1 2008 results</b> Tencent Holdings (0700) – Q1 2008 results I.T Limited (0999) – final results
	US	:	<b>Consumer price index – April 2008</b> Freddie Mac – Q1 2008 results
15 <sup>th</sup> May 2008 (Thursday)	HK	:	Zhejiang Expressway (0576) – Q1 2008 results
	US	:	Initial jobless claims – the week ended 10 <sup>th</sup> May 2008 Industrial production – April 2008 Hewlett-Packard – Q2 FY2007/08 results
16 <sup>th</sup> May 2008 (Friday)	HK	:	<b>Gross Domestic Product – Q1 2008</b> Fountain Set (Holdings) (0420) – interim results
	US	:	Housing starts – April 2008 Consumer sentiments (preliminary) – May 2008

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