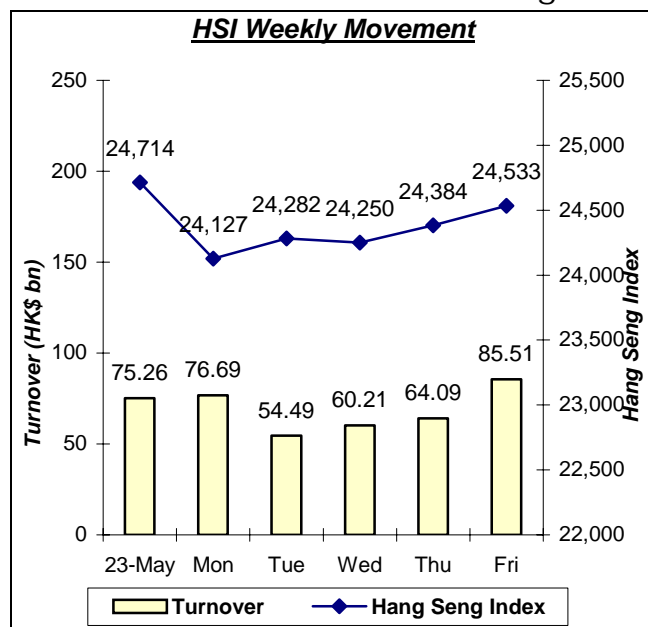


HSI traded in narrow range but M&A news glimpsed some fever



<u>Weekly Market Statistics</u>				
Weekended	30/5/2008	23/5/2008	Change	%
Hang Seng Index	24,533	24,714	-181	-0.7%
HS Red Chip Index	5,286	5,596	-310	-5.5%
HS China Enterprises Index	13,771	13,636	+134	+1.0%
HS Composite Index	3,496	3,510	-15	-0.4%
HS HK Composite Index	2,637	2,606	+31	+1.2%
HS Mainland Composite Index	4,572	4,635	-63	-1.4%
Growth Enterprise Index	896	893	+3	+0.4%
Avg Daily Turnover (HK\$ bn)	68.2	77.8	-10	-12.3%
Sectoral Indices				
Finance	36,766	36,713	+52	+0.1%
Utilities	45,125	41,922	+3,203	+7.6%
Properties	30,072	29,830	+243	+0.8%
Comm & Ind	13,941	14,352	-411	-2.9%

Review & Outlook of Market Performance

The Hang Seng Index traded in tight range this week, amid the expiry of May index futures. Investors stayed on the sideline, as they continued ascertain the impact of the Sichuan earthquake on corporate earnings as well as Beijing's monetary policy stance. Meanwhile, the overall market turnover fell apparently, as trading in warrants set back amid ICAC's investigation of market manipulation. Over the week, the HSI slipped 0.7% to 24,533.12, while the HSCEI gained 1.0% to 13,770.51. Market volume fell with the daily average of mainboard turnover down 12.3% w-o-w to only HK\$68.2 billion.

HK equities stabilized from losses in the last couple of weeks and were generally event-driven. Bellwether China Mobile tumbled nearly 9% and saw the most active trading volume since 1998 on Monday, after Beijing revealed the proposed sector reshuffle plan over the weekend. The move is widely expected to weaken CM's leading position in the industry, which pressed China Mobile down by 8.3% w-o-w. Meanwhile, investors also focused on the M&A news in the local banking industry. Wing Lung Bank (WLB) bounced up and down, after sources said Mainland authorities ordered China Merchants Bank and ICBC not to overprice their bids for WLB. At the same time, peer Wing Hang Bank (WHB) revealed China Life has indicated its interest to buy a stake in the mid-sized bank, while Dah Sing said it has been approached by potential buyers. M&A fever helped lift WHB and Dah Sing Financial up by 6.2% and 14.1% w-o-w, respectively, while WHB lost 3.2%.

Selected stocks jumped sharply during the last minute on Friday amid MSCI rebalancing. CLP ended the week with a hefty 14.6% gain, while Mongolia Energy shot up 34.5% w-o-w.

HK stocks are posed for a short-term rebound on any further retreat of crude oil prices. Speculative buying momentum in crude oil futures seemed losing steam, as governments started addressing their concerns over high oil prices. However, any short-term rally should be short-lived, as investors would turn their eyes on Mainland economic figures, with the release of May CPI scheduled on 12th June. For next week, the HSI is expected to see the initial resistance near 24,800.

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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 30th May	12,646.22*	2,508.32*	14,338.54	3,192.62	1,276.10	833.65	8,619.08
23rd May	12,479.63	2,444.67	14,012.20	3,122.15	1,274.78	875.59	8,834.73
Change	+166.59	+63.65	+326.34	+70.47	+1.32	-41.94	-215.65
%	+1.3%	+2.6%	+2.3%	+2.3%	+0.1%	-4.8%	-2.4%

Remarks: (*) closing as of 29th May 2008

Major Changes in Index Constituent Stocks (Week ended 30th May 2008)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @30/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	00941	HK\$114.70	-HK\$10.40	-8.31%	China Mobile fell sharply on Monday with the highest trading volume since the 1998 government intervention, as the Mainland authorities revealed more details on the upcoming mobile and telecom sector reshuffle. Investors dumped China Mobile shares, as they feared that the mobile giant would lose its competitive edge on Beijing's possible asymmetric industry policy.
China Unicom	00762	HK\$18.48	Suspended	-	
China Netcom	00906	HK\$27.05	Suspended	-	
Sun Hung Kai Properties	00016	HK\$125.40	+HK\$1.90	+1.54%	SHKP drew much market attentions, as the company's board ousted former chairman and CEO Kwok Ping-sheung and appointed Mrs Kwok Kwong Siu-hing, mother of the Kwok brothers, as the new non-executive chairlady. The move is expected to temporarily settle the feud, but it has already raised much concerns of SHKP's corporate governance.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @30/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Construction Bank	00939	HK\$6.95	+HK\$0.17	+2.51%	CCB's strategic investor Bank of America said it will exercise its option to acquire 6 billion CCB shares at HK\$2.42 each from the Mainland banking giant's controlling shareholder on 5 th June.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @30/5/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$13.60	-HK\$1.16	-7.86%	The upstream oil play fell, following a retreat in international oil prices.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – May 2008	57.2	The consumer confidence index fell to 57.2 in May from 62.8 in April, the lowest level since Oct 1992.
New home sales – April 2008	+3.3%	New home sales in April rose to an annual rate of 526,000, up 3.3% from March. The April reading was better than consensus forecast of 520,000. However, ones should note than it is largely due to the downward revision of the March reading to 509,000 from the preliminary figure of 526,000.
Orders for durable goods – April 2008	-0.5%	Durable goods orders fell 0.5% in April, marking the third decline out of the last four months. However, the drop was milder than consensus forecast of a 1.5% fall.
GDP (preliminary) – Q1 2008	+0.9%	US GDP growth in the first quarter was revised up to 0.9% from the initial estimate of 0.6%, matching market expectation.
Initial jobless claims – the week ended 24 th May 2008	+4,000	Initial jobless claims rose 4,000 last week to 372,000, slightly above forecast of 370,000.

Forthcoming Important Announcements / Events

2 nd June 2008 (Monday)	HK	:	Retail sales – April 2008 Le Saunda Holdings (00738) – final results
	US	:	Consumer spending – April 2008 ISM manufacturing index – May 2008
3 rd June 2008 (Tuesday)	HK	:	E. Bon Holdings (00599) – final results
	US	:	Factory orders – April 2008
4 th June 2008 (Wednesday)	HK	:	No important announcement/event
	US	:	Productivity (revised) – Q1 2008 ISM non-manufacturing index – May 2008
5 th June 2008 (Thursday)	HK	:	No important announcement/event
	US	:	Initial jobless claims – the week ended 31 st May 2008 National Semiconductor – Q4 FY2007/08 results
6 th June 2008 (Friday)	HK	:	Johnson Electric (00179) – final results The Link REIT (00823) – final results Info Communication Holdings (08082) – final results
	US	:	Non-farm payrolls – May 2008 Jobless rate – May 2008

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