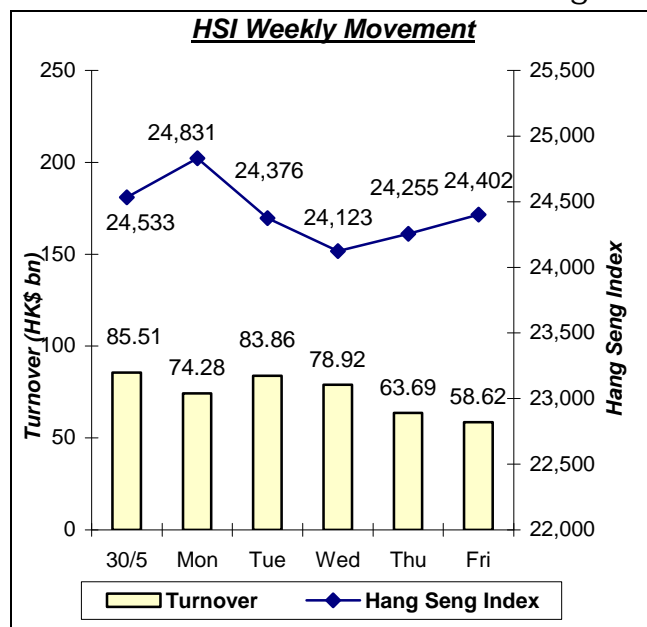


China telecom shares got sell-off after resumed trading



Weekly Market Statistics

Week ended	06/6/2008	30/5/2008	Change	%
Hang Seng Index	24,402	24,533	-131	-0.5%
HS Red Chip Index	5,196	5,286	-90	-1.7%
HS China Enterprises Index	13,513	13,771	-257	-1.9%
HS Composite Index	3,462	3,496	-34	-1.0%
HS HK Composite Index	2,635	2,637	-2	-0.1%
HS Mainland Composite Index	4,503	4,572	-70	-1.5%
Growth Enterprise Index	880	896	-16	-1.8%
Avg Daily Turnover (HK\$ bn)	71.9	68.2	+4	+5.4%
Sectoral Indices				
Finance	36,709	36,766	-57	-0.2%
Utilities	44,152	45,125	-973	-2.2%
Properties	30,530	30,072	+457	+1.5%
Comm & Ind	13,766	13,941	-175	-1.3%

Review & Outlook of Market Performance

Driven by news flows including the banking sectors' merger and acquisition, the massive telecom restructuring and the fears for another round of austerity measures to control price in the PRC, Hong Kong shares remained depressed in the first few days of the week. Not until Thursday could the Hang Seng Index find a toehold at round 24,000. Over the week, the HSI fell 0.53% or 131 points to close at 24,402.18, while the HSCEI was down 1.87% to 13,513.21. The average daily turnover for the week was up and reached HK\$71.9 billion, compared with HK\$68.2 billion in the previous week.

Following the shake-up in the PRC's telecom sector, China Unicom would pay US\$24 billion to take over China Netcom and was unloading its underperforming CDMA network to China Telecom for a cash consideration of Rmb43.8bn, the 3 telecom shares resumed trading on Tuesday. Closing the week, China Unicom dived 17.86% to HK\$15.18 while China Telecom was 12.52% lower to HK\$4.96 and China Netcom gave up 14.97% to HK\$23. Meanwhile, it was announced that China Merchants Bank would acquired Wing Lung Bank at 2.9 times 2007 book and Spain's 2nd-largest bank, BBVA would double its stake in CIFH (0183) and China CITIC Bank (0998). This triggered a single-day rally in some of the local lenders such as Dah Sing Banking and Chong Hing Bank, up 7.43% and 3.7%, respectively on Wednesday. Share price of coal producers underperformed on news related to coal price control by the PRC government. Yanzhou Coal plunged 8% to HK\$15.64, China Shenhua dropped 2.59% to HK\$33.9 and China Coal Energy sank 9.03% to HK\$15.92.

Xtep made an underwhelming trading debut on Tuesday and plunged 6.17% to close HK\$3.8 from its IPO price of HK\$4.05 and closed the week at HK\$3.75, down 7.41%. On Friday, Pou Sheng and Central China Real Estate also disappointed the market on their respective debut trading, down by 14.4% and 2.91% to HK\$2.61 and HK\$2.67, respectively. Wah Kong even postponed its IPO as the management failed to set the final IPO price with the sponsor.

Looking ahead, market sentiment could be driven by news flow from the Mainland as well as the US economic data. It is expected that HSI will be range traded between 23,000 to 25,000 in the near term.

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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							
6th June	12,604.45*	2,549.94*	14,489.44	3,146.73	1,248.57	817.33	8,745.35
30th May	12,646.22	2,508.32	14,338.54	3,192.62	1,276.10	833.65	8,619.08
Change	-41.77	+41.62	+150.90	-45.89	-27.53	-16.32	+126.27
%	-0.3%	+1.7%	+1.1%	-1.4%	-2.2%	-2.0%	+1.5%

Remarks: (*) closing as of 5th June 2008

Major Changes in Index Constituent Stocks (Week ended 6th June 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @6/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$15.18	-HK\$3.30	-17.86%	The counters were amongst the worst performed shares over the week, after the Mainland rolled out details of the tele-communications restructuring on Monday, saying that China Unicom would pay US\$24 billion to take over China Netcom.
China Netcom	00906	HK\$23.00	-HK\$4.05	-14.97%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @6/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Telecom	00728	HK\$4.96	-HK\$0.71	-12.52%	The counter was amongst the worst performed H-share after the PRC rolled out the details of the telecommunications sector restructuring on Monday, saying that China Netcom was unloading its underperforming CDMA network to China Telecom for a cash consideration of RMB43.8bn.
China Coal	01898	HK\$15.92	-HK\$1.58	-9.03%	
Yanzhou Coal	01171	HK\$15.64	-HK\$1.36	-8.00%	Share prices of coal producers plunged after news reported that the Shaanxi provincial government urged local coal producers not to hike prices before mid-Sept 2008 and Shandong provincial government had introduced a temporary price cut for some thermal coal in the next three months.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @6/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen Investment	00604	HK\$3.48	+HK\$0.26	+8.07%	The counter outperformed, but on no special news other than a payment of semi-annual dividend for the six-month ended at 31 st December 2008.

Summary of US Economic News

Indicator	Change/Index	Comments
Construction spending – April 2008	-0.4%	US construction spending fell 0.4% in April, followed a 0.6% drop in March, as the residential sector continued to be deteriorating.
ISM manufacturing index – May 2008	49.6	The ISM manufacturing index rose to 49.6 from 48.6 in April, beating forecast on the back of higher international demand for American-made goods amid the domestic economic slump.
Factory orders – April 2008	+1.1%	New orders for manufactured goods rose in 1.1% in April, up for two consecutive months and beating consensus, after a 1.5% rise in March.
Productivity (revised) –Q1 2008	+2.6%	Productivity rose at a 2.6% in Q1 2008. Last month, the government estimated a 2.2% Q1 2008 gain after a 1.8% rise in the Q4 2007. Companies trimmed staff hours at the fastest pace in five years as they faced soaring raw materials costs and lower sales.
ISM non-manufacturing index – May 2008	51.7	ISM non-manufacturing index fell to 51.7 from 52 in April. Growth in US services industries slowed less than expectation in May as a jump in new orders offset a decline in employment.
Initial jobless claims – the week ended 31 st May 2008	357,000	Initial jobless claims decreased unexpectedly by 18,000 to 357,000 last week, possibly reflecting the closure of government offices for the Memorial Day holiday.

Forthcoming Important Announcements / Events

9 th June 2008 (Monday)	HK	:	Market holiday
	US	:	Pending home sales index – April 2008
10 th June 2008 (Tuesday)	HK	:	No important announcement/event
	US	:	International trade – April 2008
11 th June 2008 (Wednesday)	HK	:	CIL Holdings Limited (00479) – interim and final results TPV Technology Limited (00903) – Q1 results
	US	:	Beige Book – May 2008
12 th June 2008 (Thursday)	HK	:	Norstar Founders Group Limited (02339) – final results B.A.L. Holdings Limited (08079) – interim results A8 Digital Music Holdings Limited (00800) – trading debut Little Sheep Group Limited (00968) – trading debut
	US	:	Retail sales – May 2008 Jobless claims – the week ended 7 th June 2008 Business inventories – April 2008
13 th June 2008 (Friday)	HK	:	Industrial production – Q1 2008 Producer price – Q1 2008 ABC Communications (Holdings) Limited (00030) – final results China Medical and Bio Science Limited (08120) – Q3 results Eco-Tek Holdings Ltd (08169) – interim results Enviro Energy International Holdings Limited (08182) – Q3 results Chongqing Machinery & Electric Co., Ltd (02722) – trading debut
	US	:	Consumer price index – May 2008 Consumer sentiment – June 2008

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