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HONG KONG RESEARCH

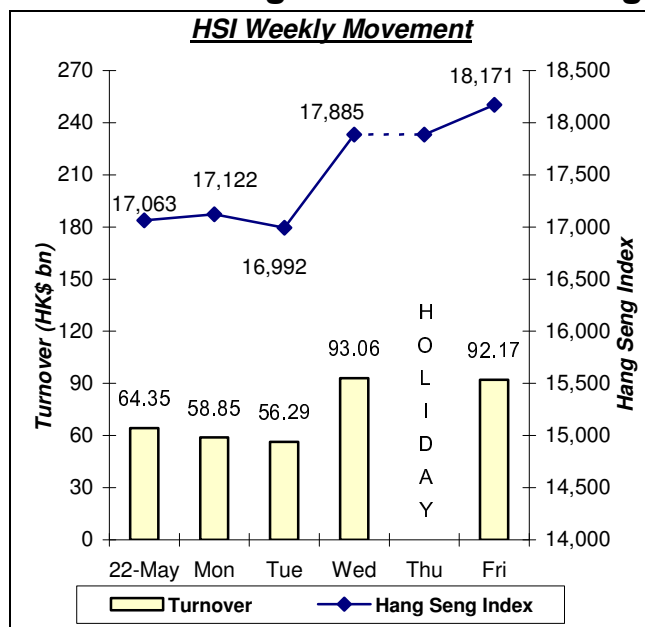
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Weekly Report

29th May 2009

The HSI gained momentum again ahead of expiry of HSI futures



Weekly Market Statistics				
Week ended	29/5/2009	22/5/2009	Change	%
Hang Seng Index	18,171	17,063	+1,108	+6.5%
HS Red Chip Index	3,787	3,614	+173	+4.8%
HS China Enterprises Index	10,428	9,791	+637	+6.5%
HS Composite Index	2,528	2,368	+160	+6.8%
HS HK Composite Index	1,824	1,681	+144	+8.5%
HS Mainland Composite Index	3,376	3,192	+184	+5.8%
Growth Enterprise Index	559	548	+11	+2.0%
Avg Daily Turnover (HK\$ bn)	75.1	69.9	+5	+7.5%
Sectoral Indices				
Finance	26,775	25,189	+1,587	+6.3%
Utilities	35,938	35,622	+316	+0.9%
Properties	25,051	21,771	+3,280	+15.1%
Comm & Ind	9,896	9,399	+497	+5.3%

Review & Outlook of Market Performance

Hong Kong shares rebounded following a better-than-expected rebound in the US consumer confidence in May and the futures-related buying ahead of expiry of the HSI futures on Wednesday. Investors simply shrugged off bad news early in the week that China would resume its initial public offerings as early as in June and there were nuclear and missile tests in Pyongyang. Over the week, the Hang Seng Index vaulted 1,108.48 points or 6.5% to 18,171.00, while the HSCEI rose 6.51% to 10,428.19. Mainboard turnover jumped with daily average up by 7.5% w-o-w to HK\$75.1 billion.

The Mainland announced to reduce the capital requirement for the development of social-security housing and ordinary residential housing to 20% from 35% and 30% respectively. Most mainland property developers shot up massively with Agile, R&F, Shimao and China Resources Land jumping more than 20% w-o-w. Meanwhile, Hong Kong exports, driven by improved trade with China, declined by 18.2% year-on-year in April following a 21.1% slide in March. However, investors seemed to be cheered by a HK\$16.8 billion economic relief package in Hong Kong, including higher salaries tax concessions and government's loan guarantee for needy companies.

HK property counters outperformed the market owing to more optimistic forecasts on home prices in the second half of 2009 given favourable mortgage terms and low local savings rates. Also, the influx of hot money continued to buoy performance of the sector. Sino Land shot up 22.49% during the week after receiving an encouraging response for its Wu Kai Sha joint venture project, Lake Silver. Most shipping stocks such as COSCO Pacific and Sinotrans Shipping tracked the recent strength in the Baltic Dry Index, surging more than 30% over the week.

Looking ahead, investors should be cautious as a prolonged rally in the stock market needs good fundamental factors to justify the rally. Moreover, the mounting concerns of the latest unrest in North Korea and the increasing risk of mass outbreak of the human swine flu locally may cap further upside potential of the local bourse in the coming weeks.

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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
29th May	8,403.80 [^]	1,751.79 [^]	9,522.50	2,329.08	1,395.89	560.41	6,890.44
22nd May	8,277.32 [*]	1,692.01 [*]	9,225.81	2,245.27	1,045.26	554.02	6,737.29
Change	+126.48	+59.78	+296.69	+83.81	+350.63	+6.39	+153.15
%	+1.5%	+3.5%	+3.2%	+3.7%	+33.5%	+1.2%	+2.3%

Remarks: (*) closing as of 21st May 2009 and (^) closing as of 28th May 2009.

Major Changes in Index Constituent Stocks (Week ended 29th May 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @29/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino Land	00083	HK\$14.38	+HK\$2.64	+22.49%	Hong Kong property counters outperformed throughout the week as there were more optimistic forecasts on home prices in the second half of 2009 given favourable mortgage terms and low local savings rates. Sino Land and MTRC received an encouraging response for its joint-venture project of Lake Silver in Wu Kai Sha, whilst Henderson Land was selling new residential project, 8 Royal Green, in Sheung Shui.
MTRC	00066	HK\$24.55	+HK\$4.00	+19.46%	
Henderson Land	00012	HK\$46.80	+HK\$7.05	+17.74%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
R&F Properties	02777	HK\$17.52	+HK\$3.50	+24.96%	The counter reported it had replenished its land bank and acquired two mainland sites for RMB 1.77 billion for residential development as confidence in the mainland real estate market had been picking up.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @29/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotrans Shipping	00368	HK\$4.02	+HK\$0.98	+32.24%	Tracking the recent strength in the Baltic Dry Index, Sinotran Shipping and COSCO Pacific were two of the shipping counters gaining the most within the HSCCI this week.
COSCO Pacific	01199	HK\$10.5	+HK\$2.30	+28.05%	



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – May 2009	54.9	Rose more than expectations, consumer confidence climbed to 54.9 from 39.2 in April as recent jumps in the stock market, low mortgage rates and smaller job losses boosted consumers' hopes that the economy would return to growth in the 2Q 2009.
Initial jobless claims – week ended 23 rd May 2009	623,000	Initial jobless claims came in at 623,000, a bit lower than expected and the four-week average dropped slightly to 626,750 from 628,500.
Durable Goods Orders – April 2009	1.9%, month on month	Durable goods orders rose unexpectedly by 1.9% month on month after a 0.8% drop in March. The rebound in new orders was broad-based led by communication equipment.
Existing Home Sales – April 2009	+2.9%, month on month	Both existing home sales and new home sales rose more than expectations in April, indicating that the housing market has been showing signs of a recovery.
New Home Sales – April 2009	-1.12% month on month, (at 352,000)	

Forthcoming Important Announcements / Events

1 st June 2009 (Monday)	HK	:	Le Saunda (00738) – final results Purchasing managers index – May 2009 Retail sales – April 2009
	US	:	Personal income and outlays – April 2009 ISM manufacturing Index – May 2009 Construction spending – April 2009
2 nd June 2009 (Tuesday)	HK	:	No important announcement/event
	US	:	Pending home sales index – April 2009
3 rd June 2009 (Wednesday)	HK	:	No important announcement/event
	US	:	Factory orders – April 2009 ISM non-manufacturing index – May 2009
4 th June 2009 (Thursday)	HK	:	No important announcement/event
	US	:	Initial jobless claims – week ended 30 th May 2009 Productivity and costs – Q1 2009
5 th June 2009 (Friday)	HK	:	Johnson Electric (00179) – final results Next Media (00282) – final results
	US	:	Employment situation – May 2009 Consumer credit – April 2009



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