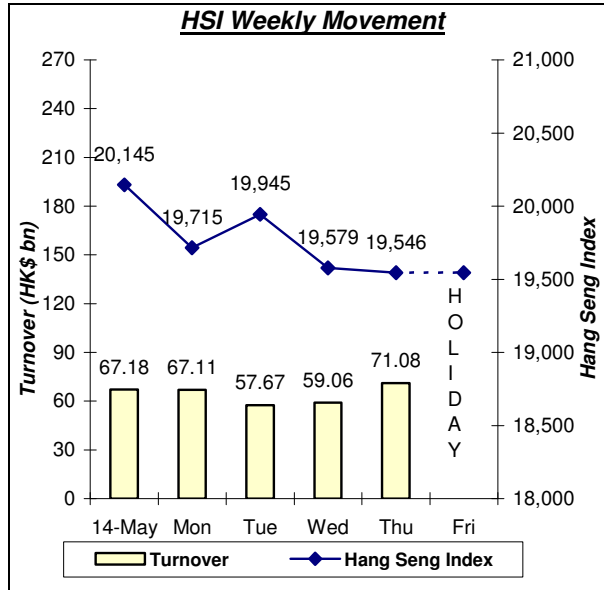




Restricted circulation
Analyst: Paul Sham

Weekly Report
20th May 2010

The HSI ended below 20,000 on deepened European debt crisis



Week ended	20/5/2010	14/5/2010	Change	%
Hang Seng Index	19,546	20,145	-600	-3.0%
HS Fed Chip Index	3,584	3,771	-187	-5.0%
HS China Enterprises Index	11,048	11,589	-541	-4.7%
HS Hong Kong 35 Index	1,992	2,058	-66	-3.2%
HS Mainland 100 Index	6,172	6,486	-313	-4.8%
Growth Enterprise Index	742	837	-95	-11.3%
Avg Daily Turnover (HK\$ bn)	67.7	65.8	+2	+2.9%
Sectoral Indices				
Finance	29,622	30,479	-857	-2.8%
Utilities	39,538	38,805	+733	+1.9%
Properties	24,377	24,879	-502	-2.0%
Comm & Ind	10,539	10,993	-454	-4.1%

Review & Outlook of Market Performance

Hong Kong shares took another round of sell-off this week as a sharp decline in A-share market and Germany's surprising move to strengthen financial regulations battered already fragile investor sentiment. Triggered by investors' fears that recent government intervention in the real estate market would slow economic growth, the benchmark Shanghai Composite Index suffered the biggest loss in a year on Monday, falling 5.07% to 2,559.93 points, the lowest close since 4th May 2009. More than 200 stocks fell to their daily trading limit of 10% on that day. On the other hand, the German government surprisingly banned on naked short sales of shares of 10 financial institutions and credit default swaps on euro-area government bonds. Such trading limits left deeper fears that the European debt crisis might be prolonged. Over the week, the HSI lost 599.6 points or 2.98% to close at 19,545.83. Average daily turnover was HK\$67.7 billion, which was slightly higher than last week's HK\$65.8 billion.

The market sentiment for IPOs was also weakened after the global market tumbled. NVC Lighting (02222) fell 2.9% from the offer price of HK\$2.10 on its first trading day, while wrapping tissue paper maker Youyuan International Holdings (02268) saw its public offering only two times oversubscribed. Nonetheless, China Titans Energy Technology Group (02188), a supplier of power electronic products, caught investors' eyes despite the sluggish local bourse. Its retail portion had already reached nearly 50 times oversubscribed.

On the economic front, Hong Kong's unemployment rate stayed at 4.4% in the three months to April, but the government warned that the labour market might come under pressure in the next few months as school-leavers look for work at a time of global financial uncertainty.

Looking into next week, investors should focus on the land auction to be held on next Monday for a Fanling site. Market attention will also fall on British insurer Prudential (02378) that will be listed in Hong Kong and Singapore next Tuesday by way of introduction. Nevertheless, with too many negative factors in the market, the risk is still on the downside. We see the HSI test the next support level at 19,400 in the coming week.

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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
20th May	10,444.37*	2,298.37*	10,030.31	2,754.57	1,304.16	765.54*	7,424.43
14th May	10,620.16	2,346.85	10,462.51	2,855.21	1,339.30	768.79	7,772.13
Change	-175.79	-48.48	-432.20	-100.64	-35.14	-3.25	-347.70
%	-1.7%	-2.1%	-4.1%	-3.5%	-2.6%	-0.4%	-4.5%

Remarks: (*) closing as of 19th May 2010

Major Changes in Index Constituent Stocks (Week ended 20th May 2010)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @20/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit Holdings	00330	HK\$44.55	-HK\$4.35	-8.90%	Exporters underperformed the market on mounting concern that Europe's need to cut budget deficits would dent the region's recovery and diminish the demand on consumer goods.
Foxconn International	02038	HK\$5.96	-HK\$0.71	-10.64%	
HK Electric	00006	HK\$48.60	+HK\$3.45	+7.64%	CLP and HK Electric bucked the market downward trend to trade higher as investors lost their appetite on risky assets and began to favour safer heaven like utility stocks.
CLP Holdings	00002	HK\$56.40	+HK\$1.55	+2.83%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	01138	HK\$9.56	-HK\$1.58	-14.18%	Shipping companies lost value on worries that business would slow down amid fears of a slower global recovery.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @20/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	00203	HK\$3.23	-HK\$1.26	-28.09%	Denway Motors went into freefall after parent Guangzhou Automobile Group outlined plans to be listed in Hong Kong by way of introduction in July. Under the proposal, each Denway share will be swapped for 0.37861 share of Guangzhou Auto. The offer represents a premium of 14.9% versus Denway's closing price of HK\$4.49 on May 3 before trading was suspended.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing Market Index – May 2010	22	The housing market index rose 3 points in May to 22, its best level in more than 2-1/2 years.
Housing Starts – April 2010	+5.8%	Housing starts in April advanced 5.8%, following a 5.0% gain in March. The April report showed homebuilders benefited from recently robust home sales but were rationally cautious about future strength.
Producer Price Index – April 2010	-0.1%	Headline inflation came in better than expected. Led by a 0.8% decline in energy costs, PPI eased to -0.1% in April from a +0.7% in March.
Consumer Price Index – April 2010	-0.1%	CPI dipped 0.1% after edging up 0.1% the month before. A drop in energy prices weighed on costs while food was still moderately strong. CPI remained extremely low, leaving the Fed with plenty of room in sustaining the low interest rate environment.

Forthcoming Important Announcements / Events

24 th May 2010 (Monday)	HK	:	China Resources Enterprise (00291) – Q1 2010 results Beijing Jingkelong (00814) – Q1 2010 results
	US	:	Existing Home Sales – April 2010
25 th May 2010 (Tuesday)	HK	:	Giordano International (00709) – Q1 2010 results City Telecom (01137) – interim results Kingsoft (03888) – Q1 2010 results
	US	:	Consumer Confidence – May 2010
26 th May 2010 (Wednesday)	HK	:	No important news or announcements
	US	:	New Home Sales – April 2010 Durable Goods Orders – April 2010
27 th May 2010 (Thursday)	HK	:	Z-Obee (00948) – final results Lenovo (00992) – final results Sino Biopharmaceutical (01177) – Q1 2010 results External Merchandise Trade Statistics – April 2010
	US	:	Initial jobless claims – week ended 22 nd May 2010 GDP – Q1 2010
28 th May 2010 (Friday)	HK	:	China Pharmaceutical Group (01093) – Q1 2010 results Lingbao Gold (03330) – final results
	US	:	Personal Income and Outlays – April 2010 Consumer Sentiment – May 2010



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