



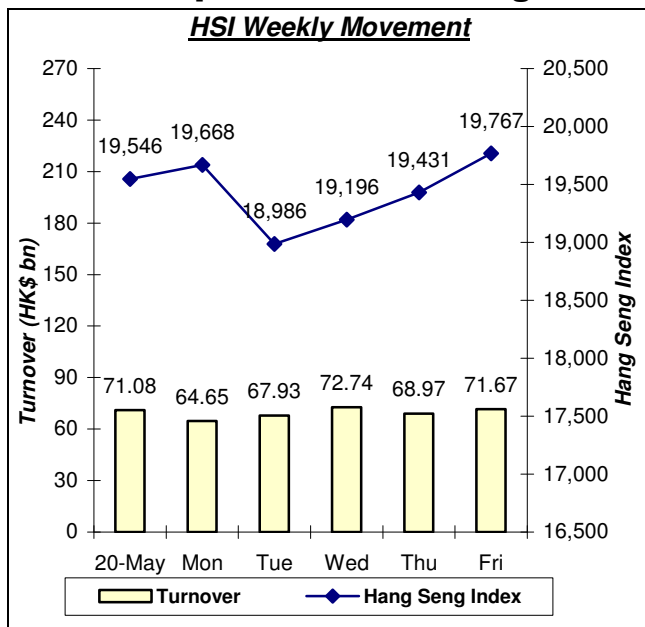
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Weekly Report

28th May 2010

HSI up on short-covering after hitting 10-month low below 19,000



Weekly Market Statistics				
Week ended	28/5/2010	20/5/2010	Change	%
Hang Seng Index	19,767	19,546	+221	+1.1%
HS Red Chip Index	3,712	3,584	+128	+3.6%
HS China Enterprises Index	11,508	11,048	+460	+4.2%
HS Hong Kong 35 Index	2,007	1,992	+14	+0.7%
HS Mainland 100 Index	6,397	6,172	+225	+3.6%
Growth Enterprise Index	768	742	+26	+3.5%
Avg Daily Turnover (HK\$ bn)	69.2	67.6	+2	+2.4%
Sectoral Indices				
Finance	29,987	29,622	+365	+1.2%
Utilities	38,683	39,538	-855	-2.2%
Properties	24,844	24,377	+467	+1.9%
Comm & Ind	10,674	10,539	+135	+1.3%

Review & Outlook of Market Performance

Hong Kong equities staged a V-shaped rebound this week amid rising fear in the European debt woes but relieving fear for stricter monetary tightening in the Mainland. The Hang Seng Index ended the week up by 221 points or 1.1% at 19,766.71, after hitting a 10-month intra-day low at 18,971.52 on Thursday. The HSCEI rose 4.2% w-o-w to 11,508.49. The daily average Mainboard turnover stood at HK\$69.2 billion, slightly up from HK\$67.6 billion in the previous week.

The blue-chip Index once tumbled to one-year lows below the 19,000 mark, while the H-share index struggled in the so-called "bear market" territory (down more than 20% from recent high), as investors dumped shares on renewed worries over the European sovereign debt crisis after Spain overtook a church-run savings bank during the weekend. Tensions between North and South Korea also hurt market sentiments and triggered sell-off in equities. The stock market gradually gathered pace towards the end of the week, after it was reported the People's Bank of China is set to make a net funds injection into the PRC banking system this week, via its open market operations, for the first time since February. It helped lessen fear for more aggressive tightening measures from Beijing. Meanwhile, news that the Mainland authorities would lift the cap for PRC insurers to invest in equities and broaden the investment horizons to cover all HK Mainboard-listed shares (vs only red chips and H shares currently) also helped strengthen investor confidence for bottom fishing. Last but not least, short covering following severe sell-off in May also contributed to the late market rebound during the week. On the stock front, China plays generally saw a sharper rebound after their deep losses so far in May, with property developers, metal producers and shipping related counters amongst the winners.

Despite a decent rebound this week, it is too early to say the global equities market has bottomed, as the European debt woes was not yet resolved. Nonetheless, any panic selling in the stock market should provide value investors with good entry points to ride on the robust economic growth in China.

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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
28th May	10,258.99*	2,277.68*	9,762.98	2,739.70	1,269.16*	737.28*	7,295.32
21st May	10,193.39	2,229.04	9,784.54	2,701.20	1,285.73	765.54^	7,237.71
Change	+65.60	+48.64	-21.56	+38.50	-16.57	-28.26	+57.61
%	+0.6%	+2.2%	-0.2%	+1.4%	-1.3%	-3.7%	+0.8%

Remarks: (^) closing at of 19th May 2010; (*) closing as of 27th May 2010

Major Changes in Index Constituent Stocks (Week ended 28th May 2010)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @28/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings (International)	00144	HK\$24.05	+HK\$0.90	+3.89%	Port operators were among the winners in the blue-chip index, after figures showed recovery in container throughput continued. China Merchants said its container throughput rose about 21% y-o-y during the first four months this year, while COSCO Pacific reported a 20% y-o-y growth in container throughput in Jan-Apr 2010. Both port operators said they are confident to achieve double-digit throughput growth this year.
COSCO Pacific	01199	HK\$9.55	+HK\$0.44	+4.83%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @28/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Datang Power	00991	HK\$3.15	+HK\$0.31	+10.92%	Datang Power said it plans to raise up to RMB8 billion via a A-share placement to its parent company and 9 other investors to fund its coal-based natural gas, windpower, nuclear power and hydropower projects and debt repayment. The placement shares will be priced at a minimum of RMB6.81 each, at a 3% discount to its A-share closing price on Tue (25 May) but a large premium to the latest closing price of Datang's H share.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @28/5/2010	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	00992	HK\$4.74	-HK\$0.12	-2.47%	Lenovo reported a net profit of US\$12.8 million in the final fiscal quarter (Jan-Mar 2010), less than half of consensus forecast of US\$35.5 million, on depressed profit margin and loss from its newly developed handset business.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Existing home sales – April 2010	+7.6%	Existing home sales surged 7.6% to annual rate of 5.77 million units in Apr from 5.36 million in Mar, as home buyers rushed to meet a tax credit deadline last month.
Consumer confidence index – May 2010	63.3	Consumer confidence index rose for the third straight month to 63.3 in May from 57.7 in Apr, much better than consensus forecast of 59.0.
Durable goods orders – April 2010	+2.9%	Durable goods orders rose 2.9% m-o-m in Apr, higher than market expectation of 1.3%, thanks to leaping aircraft orders.
New home sales – April 2010	+14.8%	New home sales jumped a sharp 14.8% to an annual rate of 504,000 units in Apr from 439,000 in Mar, before the expiry of a temporary tax credit last month.
Gross domestic product (2 nd est.) – Q1 2010	+3.0%	The GDP growth in Q1 was revised down to 3.0% y-o-y from the initial estimate of 3.2%.
Initial jobless claims – week ended 29 th May 2010	-14,000	Initial jobless claims fell 14,000 to 460,000 last week, higher than market expectation of a drop to 455,000.

Forthcoming Important Announcements / Events

31 st May 2010 (Monday)	HK	:	Johnson Electric (00179) – final results Le Saunda Holdings (00738) – final results
	US	:	Memorial Day – stock market holiday
1 st June 2010 (Tuesday)	HK	:	Retail sales – April 2010
	US	:	Construction spending – April 2010 ISM manufacturing index – May 2010
2 nd June 2010 (Wednesday)	HK	:	Chevalier Pacific Holdings (00508) – final results The Link REIT (00823) – final results I.T (00999) – final results
	US	:	Pending home sales – April 2010
3 rd June 2010 (Thursday)	HK	:	No important announcement/event
	US	:	ISM non-manufacturing index – May 2010 Initial jobless claims – the week ended 29 th May 2010 Productivity (revised) – Q1 2010 Factory orders – April 2010
4 th June 2010 (Friday)	HK	:	Global Tech (Holdings) (00143) – interim results Quam Ltd. (00952) – final results
	US	:	Non-farm payrolls – May 2010



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