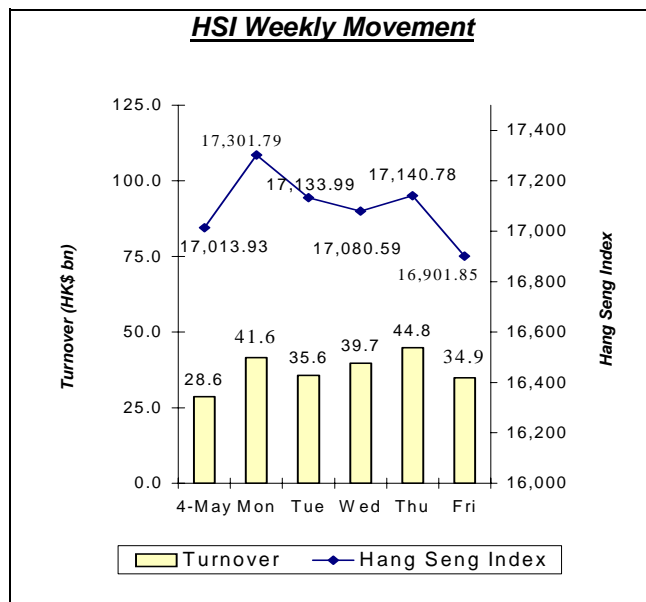


Renewed Inflation Concern Dampens Global Stock Markets



Weekly Market Statistics				
Week ended	12/05/2006	4/05/2006	Change	%
Hang Seng Index	16,901.85	17,013.93	-112.08	-0.7%
HS Red Chip Index	2,385.19	2,413.28	-28.09	-1.2%
HS China Enterprises Index	7,377.94	7,153.17	+224.77	+3.1%
HS Composite Index	2,293.65	2,288.19	+5.46	+0.2%
HS HK Composite Index	2,251.03	2,254.98	-3.95	-0.2%
HS Mainland Composite Index	2,376.80	2,357.78	+19.02	+0.8%
S&P/HKEx GEM Index	1,274.34	1,288.91	-14.57	-1.1%
Avg Daily Turnover (HK\$ bn)	39.31	34.99	+4.32	+12.4%
Sectoral Indices				
Finance	29,787.11	29,175.85	+611.26	+2.1%
Utilities	32,837.19	33,140.74	-303.55	-0.9%
Properties	20,743.77	21,788.35	-1,044.58	-4.8%
Comm & Ind	8,281.15	8,428.20	-147.05	-1.7%

Review & Outlook of Market Performance

Triggered by a less dovish than expected comment from US FOMC meeting and share placement by Sun Hung Kai Properties, the Hong Kong stock market retreated after the recent bull runs. Over the week, Hang Seng Index dropped 0.7% to close 16,901.85. Meanwhile, boosted by commodities and financial stocks, HSCEI remained strong, rising 3.1% at 7,377.94 over the week. Average turnover was HK\$39.31 billion.

As expected, US Fed raised its base rate by 25 bps to 5.00% on Thursday. But the wordings of the FOMC comment did not point to an end to rate hike as it says, "The committee judges that some further policy firming may yet be needed to address inflation risks." The market now adopts a more cautious view on the US rate movement. However, thanks to still ample liquidity as evidenced by low HIBOR, Hong Kong banks left their prime rates unchanged at 8.00% - 8.25%. Meanwhile, SHK PPT placed some 89 million shares at HK\$89 each and raised some HK\$7.8 billion. However, on lukewarm response from investors, the final placing price was set at HK\$88.3 each. Citibank, the underwriter of the transaction, has to reimburse SHK PPT for the difference. The proceeds will be used for property development in mainland China. Given rate hike concern and possibility of further share placements, property stocks performed poorly this week as Hang Seng Properties Index plunged 4.8% over the week. Moreover, Chalco (#2600) raised HK\$4.67 billion through placing 600 million new shares at HK\$7.25 each in order to fund acquisitions of downstream smelters and construction of new alumina capacity.

For the IPO market, Tianjin Port and Champion REIT starts its retail tranche offering this week. Tianjin Port already received very strong demand from the retail market. However, the initial response from retail investors for the Champion REIT was just lukewarm. Meanwhile, Bank of China began its institutional offering on Thursday. The bank is going to raise up to US\$9.8 billion at HK\$2.5 to HK\$3 per share.

Looking forward to next week, the Hong Kong stock market is likely to continue its correction on the back of weakened global investment sentiment, renewed fears on inflation and rate hike. We see the Hang Seng Index to trade down to 16,750 before it finds its next support.

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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 12th May	11,380.99	2,243.78	16,601.78	2,620.58	966.05	782.50	7,278.96
5th May	11,577.74	2,342.57	17,153.77	2,632.42	961.38	768.22	7,370.44
Change	-196.75	-98.79	-551.99	-11.84	+4.67	+14.28	-91.48
%	-1.7%	-4.2%	-3.2%	-0.4%	+0.5%	+1.9%	-1.2%

Major Changes in Index Constituent Stocks (Week ended 12th May 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @12/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$65.8	+HK\$3.35	+5.36%	A back to bull-run Euro boosted the Company's stock price, which majority of sales comes from the Euro Zone.
HSBC	0005	HK\$141	+HK\$3.8	+2.77%	Strengthening Sterling, steepening yield curve and speculation for M&A activities helped the blue chips giant catch up the market.
Li & Fung	0494	HK\$15.85	+HK\$1.832	-10.36%	In addition to the ten for one stock split, a more conservative rate outlook also dampened the stock.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @12/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life	2628	HK\$12.5	+HK\$1.55	+14.16%	Insurance business is somewhat immune from the impact of austerity measures. Market expects there will be liberalisation of overseas investment.
Beijing Airport	0694	HK\$5.45	+HK\$0.825	+17.84%	Airport business is somewhat immune from the impact of austerity measures. Its stock price has been lagging behind other H shares in the past months.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @12/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$4.55	-HK\$1.25	-21.55%	It is reported more aggressive measures may be launch by the Beijing Authority to cool down the property market, such as lowering the mortgage financing ratio to 50%.

Summary of US Economic News

Indicator	Change/Index	Comments
MBA Mortgage Applications – week ended 6 th May	-5.8%	Change in mortgage applications reversed from 8.8% increase in the prior month, suggesting housing demand is cooling down.
Advance Retail Sales – April	0.5%	The figure was lower than 0.6% in the prior month, and expectations of 0.8%.
Initial Jobless Claims – week ended 7 th May	324k	Initial jobless claims was roughly in-line with 322k in the prior month, but higher than expectations of 315k.
Trade Balance – March	(US\$ 62 billion)	The trade deficit was lower than the expected US\$67 billion. But as the shrink was partly attributed due to the drop in oil prices in February, market view the lower trade deficit as temporary.
U. of Michigan Confidence (preliminary) – March	79	The index was sharply lower than 87.4 in the prior month and market expectations of 86.1. The poor figure was probably attributed to higher gasoline prices.

Forthcoming Important Announcements / Events

15 th May 2006 (Monday)	HK US	: :	CK Life Sciences International (8222) – FY06Q1 result Nortel Networks – FY06Q1 result
16 th May 2006 (Tuesday)	HK US	: :	No major announcement Applied Materials – FY06Q2 result Coca-Cola – FY06Q1 result Hewlett-Packard – FY06Q2 result Home Depot – FY07Q1 result Wal-Mart Stores – FY07Q1 result NAHB Housing Market Index – May Producer Price Index – April Housing Starts – April Industrial Production – April Capacity Utilization – April
17 th May 2006 (Wednesday)	HK US	: :	No major announcement Consumer Price Index - April
18 th May 2006 (Thursday)	HK US	: :	City Telecom (1137) – FY06 Interim result Unemployment Rate – April Dell – FY07Q1 result GAP – FY07Q1 result Initial Jobless Claims – week ended 14 May Leading Indicators – April
19 th May 2006 (Friday)	HK US	: :	Fountain Set (0420) – FY06 Interim result No major announcement

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