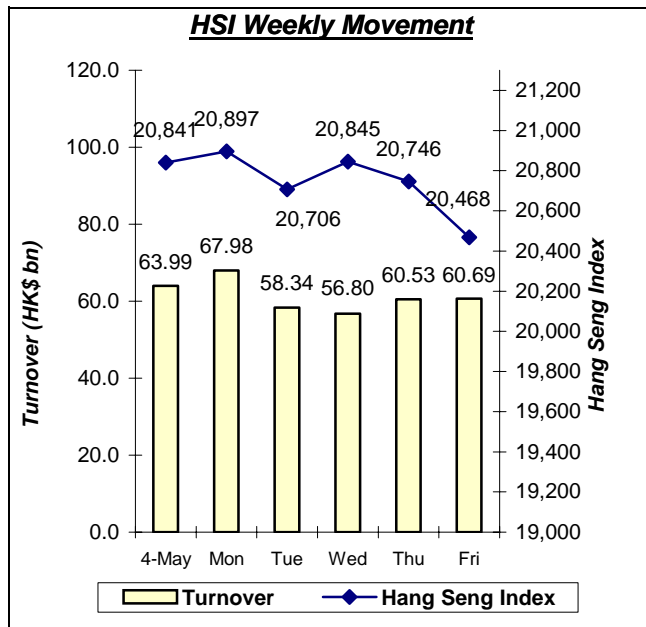


HSI retreated after breaking through the 21,000 level



Weekly Market Statistics				
Week ended	11/05/07	04/05/07	Change	%
Hang Seng Index	20,468	20,841	-373	-1.8%
HS Red Chip Index	3,469	3,531	-63	-1.8%
HS China Enterprises Index	10,392	10,384	+8	+0.1%
HS Composite Index	2,896	2,934	-38	-1.3%
HS HK Composite Index	2,554	2,591	-37	-1.4%
HS Mainland Composite Index	3,366	3,405	-39	-1.2%
Growth Enterprise Index	1,493	1,452	+41	+2.8%
Avg Daily Turnover (HK\$ bn)	60.9	53.8	+7	+13.1%
Sectoral Indices				
Finance	32,406	32,856	-450	-1.4%
Utilities	36,787	37,836	-1,049	-2.8%
Properties	25,148	26,048	-900	-3.5%
Comm & Ind	10,983	11,165	-182	-1.6%

Review & Outlook of Market Performance

HK equities headed north on Monday and set a record intra-day high at 21,070.21 points ahead of land auction on Tuesday. However, the lower-than-expected auction result triggered short-term profit-taking particularly on local property stocks. The FMO meeting confirmed the consensus view of holding the US interest rate unchanged. The US Fed revealed that economic growth slowed in the first part of this year with the continuous focus on inflation risk rather than on slower economy. The market reacted with a view that a lower interest rate may not be seen soon. Meanwhile, momentum in the A-share market remained strong with the Shanghai Composite Index setting consecutive new highs (it broke through and closed above the 4,000 level). Local investors became cautious at the current high level, as the local bourses would not be likely to escape from being dragged down by any correction in the A-share market. Hang Seng Index lost 373 points or 1.8% w-o-w to close at 20,468.21, while HSCEI edged up 0.1% to 10,392.01. Average daily turnover was HK\$60.87 billion, significantly up from HK\$53.81 billion last week.

The blue-chip index was dragged down by the local property stocks this week following last week's strong performance. The Hang Seng Properties Sub-index fell 3.5% w-o-w. The West Kowloon site was auctioned at HK\$4 billion, which was at the low end of market expectations. Cheung Kong (0001) lost 6.3% w-o-w while Sino Land (0083), who got the site with a consortium of other developers, fell 3.56% w-o-w. Although the long-anticipated hope on rate cut may be set aside for the moment after Fed's decision, the overall strong fundamentals of the local property market remains largely intact. Meanwhile, the Chinese counterparts saw selling pressure under the overhang of further austerity measures and rate hike. Several Mainland developers (like Greentown and Shimao Property) tapped the market for capital through placing or issuance of convertible bonds. Mainland financials mostly fell with the HS China H-Financials Index down 0.28% w-o-w.

After market closed on Friday, the HSI Services Ltd announced that Ping An Insurance (2318) will become a constituent of the HSI effective after closing on 1st June. China's PPI data was released on Friday afternoon with the figure rose to 2.9% in April (March: 2.7%), which was largely in-line with economists' expectations. China's April CPI data is due on next Monday and any above-expectation inflation figures should add volatility to the A-share market. We see the HSI to have good support at the 20,200-20,300 level.

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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							
11th May	13,215.13*	2,533.74*	17,553.72	3,446.92	1,351.45	706.90	8,031.54
4th May	13,264.64	2,572.15	17,394.92^	3,485.76	1,363.40	716.44	8,066.06
Change	-49.51	-38.41	+158.80	-38.84	-11.95	-9.54	-34.52
%	-0.4%	-1.5%	+0.9%	-1.1%	-0.9%	-1.3%	-0.4%

Remarks: (*) closing as of 10th May 2007; (^) closing as of 2nd May 2007

Major Changes in Index Constituent Stocks (Week ended 11th May 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @11/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Cheung Kong	0001	HK\$102.60	-HK\$6.90	-6.30%	After previous week's run-up prior to the land auction on the past Tuesday, local property stocks were sold heavily triggered by the lower-than-expected auction results.
New World Development	0017	HK\$19.80	-HK\$0.90	-4.35%	
Sino Land	0083	HK\$17.36	-HK\$0.64	-3.56%	
HKEX	0388	HK\$80.10	+HK\$3.15	+4.09%	The Company surprised the market with a near-doubling in first-quarter earnings, which was followed by a spate of earnings upgrades.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @11/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China COSCO	1919	HK\$8.87	+HK\$1.42	+19.06%	The counter rose to a record (HK\$9.17) on the back of recovering container freight rates. Also, the company was in talks to buy a bulk fleet from its state-owned parent, China COSCO Group.
Chalco	2600	HK\$9.83	+HK\$0.74	+8.14%	Tracking the stellar performance of its A-share, which soared substantially since its listing, the H share jumped as the market was willing to narrow the H/A share discount. Also, Alcoa's hostile bid for Canada's Alcan triggered some hope on further M&A activities within this industry.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @11/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Resources	1205	HK\$4.28	+HK\$0.60	+16.30%	The Company will acquire from the parent CITIC Group an oil asset in Kazakhstan and an oil field in Bohai Bay for US\$1.15 billion.
Shenzhen International	0152	HK\$0.68	+HK\$0.13	+23.64%	The counter rose on speculation of an asset injection by the Shenzhen municipal government.

Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale inventories – March 2007	+0.3%	Inventories at U.S. wholesalers rose a smaller-than-expected 0.3% in March. Economists had forecasted inventories would rise 0.4%.
FOMC policy statement	-	Fed Chairman Ben Bernanke and his central bank colleagues left the interest rate unchanged at 5.25%, where it has stood since last June. The decision had been widely expected as the economy signalled that it was on track for a soft landing in which growth slows enough to restrain inflation.
Initial jobless claims – the week ended 5 th May 2007	-9,000	Initial jobless claims decreased by 9,000 to 297,000 in the week ended May 5, the lowest since the week ended Jan 13. The market expected the figure to rise to 315,000.

Forthcoming Important Announcements / Events

14 th May 2007 (Monday)	HK US	: : :	Sino Biopharmaceutical (1177) – 1Q07 results Adobe Systems Inc – 2Q07 results Agilent Tech. Inc – 2Q07 results
15 th May 2007 (Tuesday)	HK US	: : :	Star Cruises (0678) – 1Q07 results Century Sunshine (8276) – 1Q07 results Core CPI - April 2007 Wal-Mart Stores – 1Q07 results Home Depot – 1Q07 results
16 th May 2007 (Wednesday)	HK US	: : :	Tencent (0700) – 1Q07 results Housing Starts - April 2007 Industrial Production - April 2007 Hewlett-Packard – 2Q07 results
17 th May 2007 (Thursday)	HK US	: : :	No important announcement/event Initial jobless claims – the week ended 12 th May 2007 JC Penney Co. – 1Q07 results
18 th May 2007 (Friday)	HK US	: : :	Pacific Textiles (1382) – trading debut Fountain Set (0420) – Interim FY06/07 City Telecom (1137) – Interim FY06/07 Consumer Sentiment – May 2007

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