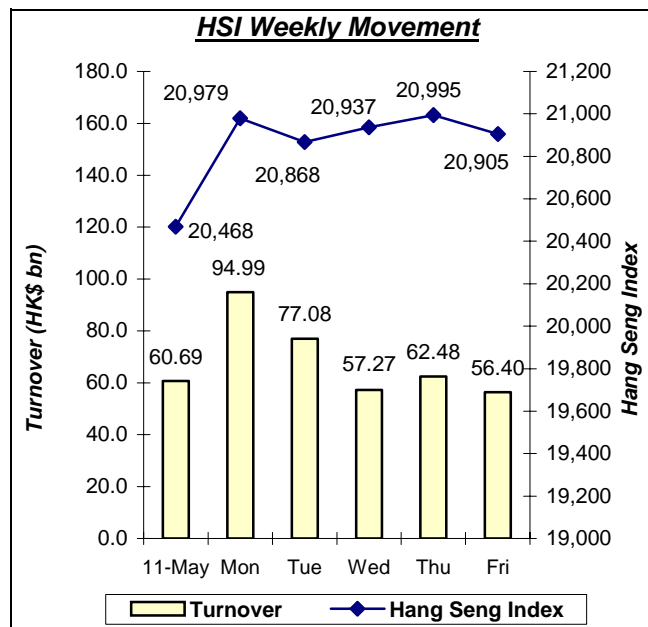


The HSI raced ahead amid QDII rules relaxation



Weekly Market Statistics				
Week ended	18/05/07	11/05/07	Change	%
Hang Seng Index	20,905	20,468	+437	+2.1%
HS Red Chip Index	3,626	3,469	+158	+4.5%
HS China Enterprises Index	10,859	10,392	+467	+4.5%
HS Composite Index	2,959	2,896	+63	+2.2%
HS HK Composite Index	2,567	2,554	+13	+0.5%
HS Mainland Composite Index	3,488	3,366	+122	+3.6%
Growth Enterprise Index	1,519	1,493	+26	+1.8%
Avg Daily Turnover (HK\$ bn)	69.6	60.9	+9	+14.4%
Sectoral Indices				
Finance	32,847	32,406	+441	+1.4%
Utilities	36,822	36,787	+36	+0.1%
Properties	25,441	25,148	+293	+1.2%
Comm & Ind	11,345	10,983	+362	+3.3%

Review & Outlook of Market Performance

The local bourses started the week in an upbeat tone after the mainland banking regulator announced new rules to allow banks to invest up to 50% of their existing qualified domestic institutional investor (QDII) quotas in overseas equity markets for the first time. The announcement propelled the Hang Seng Index up by 551.03 points on Monday when main-board turnover reached an unprecedented level of HK\$95 billion. However, after reaching a fresh record closing high at 20,994.61 on Thursday, profit-taking crept in on Friday amid heightening worries over a possible rate hike by the mainland's central bank trimmed the gains for the week. The HSI closed at 20,904.84 on Friday, up 436.63 points or 2.1% w-o-w. Trading was hectic this week, with average daily turnover increased to HK\$69.6 billion, up from HK\$60.9 billion last week.

H shares were buoyant on the news of the QDII rules relaxation. A- and H- dual-listed shares were the biggest winners as investors sought to arbitrage the hefty discount of the H shares to their mainland-traded A-shares. However, the PBOC governor Zhao Xiaochuan's Thursday comments that China may consider taking further steps to cool the economy by raising benchmark interest rates or banks' reserve requirement ratio undermined the sentiment and triggered investors to lock in recent gains on Friday. Nevertheless, with all but two of the index constituents walked out from this week's trades with gains, the HSCEI ended this week at 10,859.17, up 4.5%.

During the week, the HK government released the latest local unemployment data and economic situation. Unemployment rate stood at 4.3% for the Feb-April period, unchanged from that for the Jan-March period. Hong Kong's GDP showed a 5.6% y-o-y growth for 1Q of 2007 on the back of rising income, improving job market and generally buoyant stock market activity. Both figures reflected the solid state of the local economy.

Looking forward, trading should be cautious in the coming 4-day trading week, with the stock market to be closed for the Buddha's Birthday holiday next Thursday, 24th May. Some consolidations are expected while worries over further austerity measures to cool off the overheating mainland economy would continue to cloud the market sentiment. All said, the HSI is expected to see strong resistance at 21,088 – the historical record intraday high.

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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							
18th May	13,476.72*	2,539.38*	17,399.58	3,512.40	1,356.84	728.76	8,034.14
11th May	13,326.22	2,562.22	17,553.72	3,446.92	1,351.45	706.90	8,031.54
Change	+150.50	-22.84	-154.14	+65.48	+5.39	+21.86	+2.60
%	+1.1%	-0.9%	-0.9%	+1.9%	+0.4%	+3.1%	+0.0%

Remark (*): closing as of 17th May 2007**Major Changes in Index Constituent Stocks (Week ended 18th May 2007)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @18/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Pacific	0267	HK\$32.40	+HK\$1.90	+6.23%	The conglomerate said it plans to sell its 25% interest in a mainland air cargo joint venture to its partner Air China.
HKEx	0388	HK\$87.85	+HK\$7.75	+9.68%	HKEx surged on hopes that the QDII rules relaxation will boost turnover in the local bourse and hence the bourse operator's bottom-line.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Steel	0347	HK\$18.72	+HK\$1.76	+10.38%	A & H dual-listed counters attracted keen buying interests after Beijing eased rules to allow banks to invest into overseas equities.
Jiangxi Copper	0358	HK\$12.40	+HK\$1.10	+9.73%	
Sinopec	0386	HK\$8.04	+HK\$0.71	+9.69%	
Anhui Conch Cement	0914	HK\$39.00	+HK\$4.30	+12.39%	
Ping An Insurance	2318	HK\$46.40	+HK\$1.95	+4.39%	
Chalco	2600	HK\$10.46	+HK\$0.63	+6.41%	
China Life Insurance	2628	HK\$25.75	+HK\$1.15	+4.67%	The counter surged on speculation of asset injection by the government.
Guangshen Railway	0525	HK\$6.38	+HK\$0.65	+11.34%	
PetroChina	0857	HK\$10.22	+HK\$0.50	+5.14%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/05/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen International	0152	HK\$0.79	+HK\$0.11	+16.18%	The counter continued to ride on speculation of an asset injection by the Shenzhen municipal government.
Brilliance China	1114	HK\$1.87	+HK\$0.17	+10.00%	Share price of the automaker surged on expectations that its Zhonghua sedan unit would break even in 1H 2006.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer price index – April 2007	+0.4% m-o-m	CPI advanced a slower-than-expected 0.4% in April on a continued rise in energy and food prices. Excluding the volatile food and energy prices, the core CPI rose 0.2% in April, in line with market expectations.
Housing starts – April 2007	+2.5% m-o-m	Housing starts rose 2.5% to an annual rate of 1.528 million units in April. However, permits for future construction plunged 8.9% in April, the sharpest drop since a 24% fall in February 1990.
Industrial production – April 2007	+0.7% m-o-m	Industrial production jumped a bigger-than-expected 0.7% in April on growths in utilities, auto and high-tech manufacturing output.
Initial jobless claims – the week ended 12 th May 2007	-5,000	New claims for jobless benefits unexpectedly fell by 5,000 last week, marking the 5 th straight week of decline, to a seasonally adjusted 293,000 – the lowest level since mid-January.
Leading indicators – April 2007	-0.5% m-o-m	The Conference Board's index of leading indicators slipped a more-than-expected 0.5% in April to 137.3, suggesting a slowdown in economic growth in the months ahead.

Forthcoming Important Announcements / Events

21 st May 2007 (Monday)	HK	:	Consumer price index – April 2007
	US	:	Jiahua Stores (0602) – trading debut Campbell Soup Co – Q3 2006/07 results Lowe's Cos Inc – Q1 2007/08 results
22 nd May 2007 (Tuesday)	HK	:	No important announcements / events
	US	:	Freddie Mac – Q1 2007 results Staples Inc – Q1 2007/08 results
23 rd May 2007 (Wednesday)	HK	:	Lenovo Group (0992) – FY2006/07 final results Belle International (1880) – trading debut
	US	:	Abercrombie & Fitch Co – Q1 2007/08 results Target Corp – Q1 2007/08 results
24 th May 2007 (Thursday)	HK	:	Buddha's Birthday holiday
	US	:	Durable goods orders – April 2007 Initial jobless claims – the week ended 19 th May 2007 New home sales – April 2007 Barnes & Noble Inc – Q1 2007/08 results Foot Locker Inc – Q1 2007/08 results Gap Inc – Q1 2007/08 results
25 th May 2007 (Friday)	HK	:	I.T Ltd. (0999) – FY2006/07 final results
	US	:	Existing home sales – April 2007

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