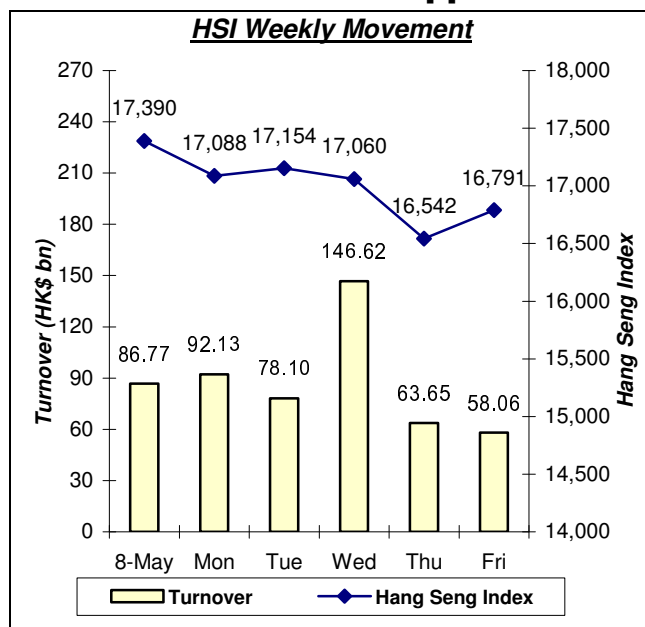


HSI slipped below 17,000 on profit taking



Weekly Market Statistics				
Week ended	15/5/2009	08/5/2009	Change	%
Hang Seng Index	16,791	17,390	-599	-3.4%
HS Red Chip Index	3,547	3,650	-103	-2.8%
HS China Enterprises Index	9,607	10,052	-445	-4.4%
HS Composite Index	2,329	2,393	-64	-2.7%
HS HK Composite Index	1,650	1,686	-36	-2.1%
HS Mainland Composite Index	3,143	3,238	-95	-2.9%
Growth Enterprise Index	484	457	+27	+6.0%
Avg Daily Turnover (HK\$ bn)	87.7	84.1	+4	+4.3%
Sectoral Indices				
Finance	24,809	25,984	-1,175	-4.5%
Utilities	35,977	35,284	+693	+2.0%
Properties	21,213	21,673	-459	-2.1%
Comm & Ind	9,229	9,506	-277	-2.9%

Review & Outlook of Market Performance

A mixed bag of news had triggered profit taking early in the week, pressing the Hong Kong stock market down by more than 3% from a week earlier to below 17,000. Disappointing economic data in the US and China, a mega-sized placement of China Construction Bank (CCB) shares by Bank of America (BoA) as well as resistance near the 250-day moving average triggered profit taking in the local bourse. The Hang Seng Index finished at 16,790.70, down nearly 600 points w-o-w, while the HSCEI fell 4.4% to 9,607.29. Driven by BoA's CCB share sale and several other placements, the average daily Mainboard turnover surged to HK\$87.7 billion, compared with HK\$84.1 in the previous week.

Investors turned their eyes on economic figures during the week. Retail sales in the US fell larger than expected in April, which showed that there was no quick fix in the world's largest economy, triggering some profit taking on equities. In China, consumer prices fell for the third straight month in April on lower food prices. Exports tumbled a sharp 22.6% y-o-y in April, dropping for six months in a row and dragging on industrial output growth. Nonetheless, most economists remained optimistic about China's growth outlook, as figures showed the Mainland economy has been picking up steam since the beginning of this year on Beijing's massive stimulus package. On the stock market front, Bank of America placed 13.5 billion CCB shares for HK\$56.7 billion, after the lockup period of the shares expired last week. The share sale helped lift the mainboard turnover to a 14-month high at HK\$146.6 billion on Wednesday.

The debate of whether the latest market rebound is a "bear market rally" or the early stage of a new bull market would linger for a while, amid mixed economic data. Profit taking is expected to continue next week, after the local economy registered a 7.8% y-o-y drop in GDP in Q1, the sharpest since the 1997-98 Asian financial turmoil. In addition, more share placements may be seen in the next couple of weeks, following recent sharp gains in the stock market, which should cap market performance. However, the downside of the Hong Kong equities should be limited in the near term and support is seen near 16,000 for the HSI, as the market is filled with foreign capital inflow.

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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
15th May	8,331.32*	1,689.21*	9,265.02	2,139.78	1014.21	533.92	6,489.09
8th May	8,574.65	1,739.00	9,432.83	2,228.50	1022.65	527.72	6,583.87
Change	-243.33	-49.79	-167.81	-88.72	-8.44	+6.20	-94.78
%	-2.8%	-2.9%	-1.8%	-4.0%	-0.8%	+1.2%	-1.4%

Remarks: (*) closing as of 14th May 2009

Major Changes in Index Constituent Stocks (Week ended 15th May 2009)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @15/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
Tencent	00700	HK\$79.55	+HK\$6.05	+8.23%	Tencent reported a sharp 94% y-o-y jump in net profit in Q1 2009, driven by Internet value-added services like online games.
Yue Yuen Industrial	00551	HK\$15.98	-HK\$1.28	-7.42%	Yue Yuen will be removed from the Hang Seng Index, effective from Jun 8, replaced by China Resources Power (00836).
Hong Kong Exchanges and Clearing	00388	HK\$103.70	-HK\$14.60	-12.34%	HKEx reported a 49% y-o-y drop in net profit to HK\$834 million in Q1 this year on a 41% decline in revenue, as the average daily turnover fell by more than half y-o-y during the first quarter.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @15/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
China Construction Bank	00939	HK\$4.79	-HK\$0.46	-8.76%	Market sources reported that Bank of America placed 13.5 billion CCB shares for HK\$56.7 billion on Tuesday to HOPU Investment Management Co. (厚樸基金), China Life and Temasek. The placement price was HK\$4.2 per share, representing a 14.3% to the closing price on Monday.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @15/5/09	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (Hong Kong)	00135	HK\$4.90	+HK\$0.69	+16.39%	CNPC (Hong Kong), which is 57% owned by PetroChina (00857), said its expansion in pile-line gas business has been proceeding well. It expects revenue would grow to HK\$50 billion-HK\$100 billion by 2015 from HK\$5.2 billion in 2008.



Summary of US Economic News

Indicator	Change/Index	Comments
Trade balance – March 2009	US\$27.6 billion deficit	US trade deficit grew to US\$27.6 billion in Mar from a US\$26.1 billion deficit in Feb, amid a 2.4% drop in exports against a 1% dip in imports.
Retail sales – April 2009	-0.4% m-o-m	Retail sales slipped 0.4% in Apr following 1.3% drop in Mar, weaker than market expectation of staying flat during the month. The report showed that electronic sellers suffered a big drop of 2.8% in sales, leading to selling pressure over tech stocks.
Business inventories – March 2009	-1.0% m-o-m	Business inventories fell 1.0% in Mar, marking the seventh consecutive month of lower inventories.
Producer price index – April 2009	+0.3% m-o-m	Producer price index rose 0.3% in Apr after a 1.3% fall in Mar, mainly driven by food prices. It was higher than consensus forecast of a 0.1% surge.
Initial jobless claims – week ended 9 th May 2009	+32,000	Initial jobless claims rose a sharp 32,000 last week to 637,000, much higher than market expectation of 605,000, owing to layoffs in the auto industry.

Forthcoming Important Announcements / Events

18 th May 2009 (Monday)	HK	:	SMI Corporation (00198) – interim results
	US	:	No important announcement/event
19 th May 2009 (Tuesday)	HK	:	Unemployment statistics – February-April 2009
	US	:	Housing starts – April 2009 Hewlett-Packard – Q2 FY2008/09 results Home Depot Inc – Q1 2009 results
20 th May 2009 (Wednesday)	HK	:	No important announcement/event
	US	:	No important announcement/event
21 st May 2009 (Thursday)	HK	:	Consumer price index – April 2009 Lenovo Group (00992) – final results Parkson (03368) – Q1 2009 results
	US	:	Initial jobless claims – week ended 16 th May 2009 Index of leading economic indicators – April 2009 Gap Inc. – Q1 2009 results
22 nd May 2009 (Friday)	HK	:	Buildmore International (00108) – final results South China Holdings (00265) –special dividend declaration China Resources Enterprise (00291) – Q1 2009 results
	US	:	No important announcement/event

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