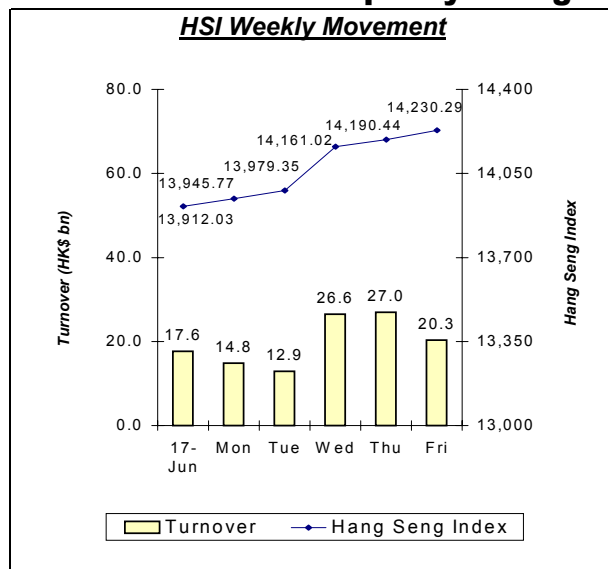


## Land policy change boosted up the market



<b>Weekly Market Statistics</b>				
Week ended	24/06/2005	17/06/2005	Change	%
Hang Seng Index	14,230.29	13,912.03	+318.26	+2.3%
HS Red Chip Index	1,637.57	1,594.28	+43.29	+2.7%
HS China Enterprises Index	4,842.97	4,707.70	+135.27	+2.9%
HS Composite Index	1,839.98	1,799.20	+40.78	+2.3%
HS HK Composite Index	1,932.90	1,892.11	+40.79	+2.2%
HS Mainland Composite Index	1,662.97	1,621.87	+41.10	+2.5%
S&P/HKEx GEM Index	901.47	892.83	+8.64	+1.0%
Avg Daily Turnover (HK\$ bn)	20.32	14.86	+5.46	+36.7%
<b>Sectoral Indices</b>				
Finance	27,123.17	26,625.69	+497.48	+1.9%
Utilities	30,647.93	30,575.75	+72.18	+0.2%
Properties	17,511.45	16,901.24	+610.21	+3.6%
Comm & Ind	6,410.76	6,245.24	+165.52	+2.7%

## Review & Outlook of Market Performance

HSI broke through the 14,000 level once again to close at 14,230.29, up 318.26 points, or 2.3% w-o-w. Property stocks led the market higher after the Government agreed to modify its land policy to encourage more application for land auctions. Furthermore, the release of the HK\$150 billion liquidity that was tied-up for the Bank of Communication's IPO helped fuelling the rally. Average daily turnover increased to HK\$20.32 billion from HK\$14.86 billion last week.

Earlier this week, the Lands Department announced a modification of the land applications system. Going forward, land auctions will be triggered after developers agree to bid at least 80% of the Government's valuation target of a particular plot of land, down from the previous 100%. It is expected that more plots of land will be put up for auctions as a result. The news gave a strong boost to the property counters, especially to the mid-tier developers whose land-bank had been gradually depleted over the past few years. HS properties sub-index gained 3.6% w-o-w. New World (0017) and Sino Land (0083) outperformed peers, surged 9.3% and 7.0% w-o-w to close at HK\$9.45 and HK\$8.45 respectively.

CNOOC (0883) was under spotlight during the week after it announced a US\$18.5 billion all-cash offer for Unocal in United States, setting the stage for a takeover battle with Chevron Corp which had inked a US\$16.6 billion deal with Unocal in April. The counter closed up 1.8% w-o-w at HK\$4.25 despite possible downgrade by credit rating agencies.

HSCEI gained 2.9% w-o-w to 4,842.97 on the strength of oil and commodity stocks. PetroChina (0857) outperformed as oil prices once shot up to US\$60 level. The counter jumped 8.4% w-o-w to close at a historical high of HK\$5.80. Jiangxi Copper closed the week up 2.6% to HK\$3.90 after copper prices reached a 16 year high on strong China's fixed asset investment figures.

Looking ahead, we see window dressing activities to buoy the market at current level as the quarter / semi-annual end is approaching. Properties, telecom and oil counters should continue out-performing next week. The US Federal Reserve will hold another FOMC meeting on 30<sup>th</sup> June and it is widely expected that it will raise interest rate by another 25bps.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

**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							
24th June	10,297.84	2,053.27	11,537.03	2,223.72	898.08	690.25	6,340.69
17th June	10,623.07	2,090.11	11,514.03	2,209.15	897.06	686.52	6,293.56
Change	-325.23	-36.84	+23.00	+14.57	+1.02	+3.73	+47.13
%	-3.1%	-1.8%	+0.2%	+0.7%	+0.1%	+0.5%	+0.7%

**Major Changes in Index Constituent Stocks (Week ended 24<sup>th</sup> June 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @24/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$15.85	+HK\$1.00	+6.7%	Rumour had it that the counter planned to buy assets from the distressed German group KarstadtQuelle.
New World	0017	HK\$9.45	+HK\$0.80	+9.3%	The counters were considered as major beneficiaries of the Government's land policy change.
Sino Land	0083	HK\$8.45	+HK\$0.55	+7.0%	

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @24/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$5.80	+HK\$0.45	+8.4%	Share prices of the counter were boosted by strong oil prices and the rumour that the company is going to supply natural gas to Beijing through pipeline networks that cost RMB7.7 billion to build.
Beijing Airport	0694	HK\$3.10	+HK\$0.325	+11.7%	Passenger number in May was 3.31 million, up 26.3% y-o-y. Furthermore, its investment rating was raised by major brokerages with target price of HK\$3.70.

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

Stock	Stock Code	Closing Price @24/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangzhou Investment	0123	HK\$0.69	+HK\$0.06	+9.5%	The counter plans to raise HK\$2 billion by listing a REIT in Hong Kong or Singapore



## Summary of US Economic News

Indicator	Change/Index	Comments
May Conference Board Leading Indicators	-0.5%	The decline was more than market consensus (-0.3%) that was mainly due to the flattening of the interest rate spread.
Initial Jobless Claims – Week Ended 18 <sup>th</sup> June	-20k	The decrease was more than the consensus forecast (-3k). The 4-week moving average was 333,000, a decrease of 2,500 from the previous week's revised average of 335,500.
June Existing Home Sales	-0.7%	Actual figure was lower than market forecast (+0.4%). Total housing inventory levels rose 4.9% at the end of May to 2.55 million existing homes available for sale, which represents 4.3-month supply at the current sales pace.
May Durable Goods Orders	+5.5%	The increase was larger than the consensus forecast (+1.4%). Transportation equipment, up for the second consecutive month, had the largest increase of 21.2% y-o-y to US\$64.7 billion.
May New Home Sales	+2.1%	The increase was higher than market estimate (+0.3%). The seasonally adjusted estimate of new houses for sale at the end of May was 442,000. This represents a supply of 4.2 months at the current sales rate.

## Forthcoming Important Announcements / Events

27 <sup>th</sup> June 2005 (Monday)	HK US	: : May External Trade <b>Nike (NKE) – Q4 results</b>
28 <sup>th</sup> June 2005 (Tuesday)	HK US	: : <b>Oriental Press Group Limited (0018) – Final results</b> Linmark Group Limited (0915) – Final results June Conference Board Consumer Confidence Index
29 <sup>th</sup> June 2005 (Wednesday)	HK US	: : Miramar Hotel & Investments (0071) – Final results <b>Sa Sa Int'l Holdings Limited (0178) – Final results</b> First Quarter Final GDP <b>Oracle (ORCL) – Q4 results</b>
30 <sup>th</sup> June 2005 (Thursday)	HK US	: : Balance of Payment – Q1 May Money Supply May Total Loans and Advances in HK Dollar Ming Pao Enterprise (0685) – Final results <b>Federal Reserve FOMC Meeting</b> May Personal Income May Personal Spending Initial Jobless Claims – Week ended 25 <sup>th</sup> June June Chicago Purchasing Manager Index
1 <sup>st</sup> July 2005 (Friday)	HK US	: : Public Holiday – HKSAR Establishment Day International Business Machines (IBM) – Q2 results