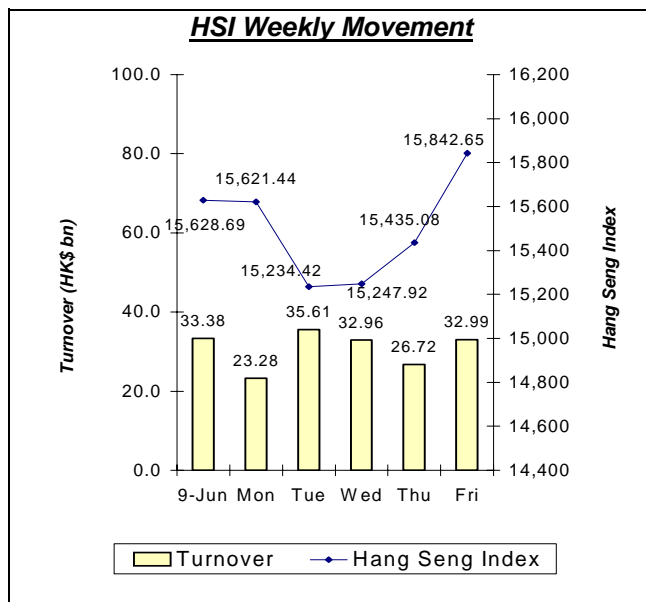


Market Bottomed Out but Uncertainties Remain



Weekly Market Statistics				
Week ended	16/6/2006	9/6/2006	Change	%
Hang Seng Index	15,842.65	15,628.69	+213.96	+1.4%
HS Red Chip Index	2,173.12	2,129.67	+43.45	+2.0%
HS China Enterprises Index	6,340.96	6,255.81	+85.15	+1.4%
HS Composite Index	2,108.53	2,089.48	+19.05	+0.9%
HS HK Composite Index	2,099.28	2,089.22	+10.06	+0.5%
HS Mainland Composite Index	2,142.12	2,110.04	+32.08	+1.5%
S&P/HKEx GEM Index	1,138.03	1,133.61	+4.42	+0.4%
Avg Daily Turnover (HK\$ bn)	30.31	33.64	-3.33	-9.9%
Sectoral Indices				
Finance	28,499.65	28,215.02	+284.63	+1.0%
Utilities	31,025.24	30,892.76	+132.48	+0.4%
Properties	19,168.39	18,870.52	+297.87	+1.6%
Comm & Ind	7,652.05	7,521.71	+130.34	+1.7%

Review & Outlook of Market Performance

Hong Kong stock market experienced a very volatile week. At the beginning of the week, the Hang Seng Index followed the global stock markets and trended downwards on renewed inflation fears. On Tuesday 13th June, the Hang Seng Index touched 15,234.42, down 11.95% from its high of 17,301.79 recorded on 8th May 2006. The seriously oversold market attracted bargain hunters later the week and short covering also helped lift the market with the Hang Seng Index seeing a sharp rebound towards the end of the week. Over the week, the Hang Seng Index gained 1.4% w-o-w to close at 15,842.65 with average market turnover of HK\$30.3 billion (down 9.9% from the previous week). Meanwhile, H-shares followed a similar pattern with HSCEI touching 5,901.33 on Wednesday, down 20% from its high of 7,377.94 recorded on 12th May 2006. Since then the HSCEI rebounded sharply, closing the week at 6,340.96, up 1.4% w-o-w.

Bank of China (3988) started its RMB20 billion A shares IPO in the Shanghai stock market with an indicative price range of RMB3.00 to RMB3.10 each. Meanwhile, given the poor market sentiment, particularly on China's property stocks, Shui On Construction (0983) called off its HK\$8 billion IPO of Shui On Land.

Latest economic figures announced so far indicated China's economy remained robust. Fixed asset investment in the first 5 months of 2006 surged 30.1% y-o-y while bank loan balance at the end of May registered a 15.1% y-o-y increase. Moreover, China's urban real estate prices increased 5.8% y-o-y in May 06. It is therefore widely expected the Chinese government will unveil further austerity measures in order to restrain the economy from getting over-heated.

After the HSI and HSCEI have lost 12% and 20% respectively from their respective highs in early May, both indices should have found their respective support at the low seen in the mid-week. However, given the uncertainty over rate hike and China's further austerity measures, the stock market should find it difficult to start another big bull run. The stock market is likely to consolidate at the current level before staging another significant rally. The index is expected to range trade between the 15,750 to 15,950 levels next week.

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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							
16th June	11,014.55	2,129.95	14,879.34	2,373.91	893.50	665.39	6,575.77
9th June	10,891.92	2,135.06	14,750.84	2,337.44	915.40	670.41	6,444.63
Change	+122.63	-5.11	+128.50	+36.47	-21.90	-5.02	+131.14
%	+1.1%	-0.2%	+0.9%	+1.6%	-2.4%	-0.7%	+2.0%

Major Changes in Index Constituent Stocks (Week ended 16th June 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @16/6/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$6	+HK\$0.55	+10.09%	CNOOC and Husky Energy announced that a giant gas field in South China Sea had been found. The field could contain 113.3 – 169.9 billion cubic metres of gas reserves. The attributable interest to CNOOC is equivalent to about 44% of its current gas reserves or 15% of its total oil and gas reserves.
Johnson Electronic	0179	HK\$5.9	+HK\$0.3	+5.36%	The Company was seriously oversold as surging copper prices put pressure on its margin. Recent correction on copper prices helped stage a strong rebound of the counter's share price.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/6/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Ping An	2318	HK\$21.2	+HK\$1.45	+7.34%	It is reported that Ping An has been selected among six domestic and foreign bidders as the preferred candidate to take more than 60% stake of Shenzhen Commercial Bank, which was valued at an estimated range of US\$400 million – US\$500 million.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @16/6/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas	688	HK\$4.3	-HK\$0.4	-8.51%	China Overseas was the worst performing HSCCI member on fears of further tightening measures on the PRC real estate market by the central government.

Summary of US Economic News

Indicator	Change/Index	Comments
Producer Price Index (m-o-m) – May	+0.2% +0.3% (core)	Though aggregate PPI was lower than expectations of 0.4%, core PPI was higher than expectations of 0.2% and 0.1% in the prior month, indicating an increase in inflationary pressure.
Consumer Price Index (m-o-m) – May	+0.4% +0.3% (core)	Aggregate CPI matched expectations and decelerated from 0.6% in the prior month, but core CPI exceeded expectations of 0.2%, also indicating an increase in inflationary pressure.
Advance retail sales – May	+0.1%	The figures matched expectations, but declined sharply from a revised 0.8% in the prior month.
Industrial production – May	-0.1%	The figure was lower than expectations of 0.2% gain and 0.8% gain in the prior month. Declining industrial production and slowing retail sales pointed to slowing economic momentum.
Initial jobless claims – for the week ended 11 th June	295k	The figure was better than expectations of 320k and 302k in the prior week.
University of Michigan Consumer Sentiment – June	82.4	The index of consumer sentiment increased to 82.4 this month from a final reading in May of 79.1 as gasoline prices retreated from a 7-months high.

Forthcoming Important Announcements / Events

19 th June 2006 (Monday)	HK	:	Yue Yuen Industrial (0551) – interim results VST Holdings (0856) – final results Unemployment rate – May
	US	:	No Important Announcements/Events
20 th June 2006 (Tuesday)	HK	:	No Important Announcements/Events
	US	:	Housing starts & building permits – May
21 st June 2006 (Wednesday)	HK	:	Vtech Holdings (0303) – final results
	US	:	FedEx Corp – FY06 final results Morgan Stanley – FY06 interim results
22 nd June 2006 (Thursday)	HK	:	Norstar Founders (2339) – final results Consumer Price Index - May
	US	:	Oracle Corp. – FY06 final results Initial Jobless Claims – Week ended June 18 Leading Indicators – May
23 rd June 2006 (Friday)	HK	:	No Important Announcements/Events
	US	:	Durable Goods Orders – May

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