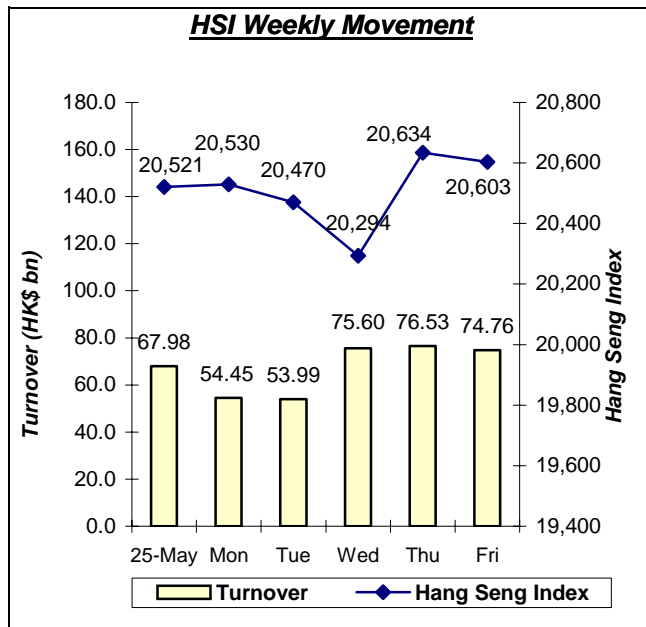


A volatile week as the A-share rally came to a pause



Weekly Market Statistics				
Week ended	01/06/07	25/05/07	Change	%
Hang Seng Index	20,603	20,521	+82	+0.4%
HS Red Chip Index	3,614	3,575	+39	+1.1%
HS China Enterprises Index	10,874	10,650	+225	+2.1%
HS Composite Index	2,942	2,916	+26	+0.9%
HS HK Composite Index	2,548	2,538	+10	+0.4%
HS Mainland Composite Index	3,473	3,427	+46	+1.3%
Growth Enterprise Index	1,618	1,553	+65	+4.2%
Avg Daily Turnover (HK\$ bn)	67.1	59.2	+8	+13.4%
Sectoral Indices				
Finance	32,281	32,310	-28	-0.1%
Utilities	35,868	35,695	+173	+0.5%
Properties	24,867	24,860	+7	+0.0%
Comm & Ind	11,245	11,144	+101	+0.9%

Review & Outlook of Market Performance

After a series of austerity measures over the past few weeks, the long-awaited correction in the domestic A-share market finally came when the Chinese authorities unexpectedly raised the stock trading stamp duty to 0.3% from 0.1% effective 30th May. The Shanghai Composite Index responded with an over 6% slump on Wednesday but stabilized over the next 2 days. The local indices headed south on Wednesday amid the fear of a beginning of major correction in the A shares. The market viewed the hike in stamp duty as a more targeted measure to cool down the bull-run in the A-share market with little risk of affecting the overall economy; others viewed that as a sign the government is losing patience and more cooling measures are in the pipeline. Local investors took the dip as a buying opportunity and both local indices recovered all of the loss on Thursday. Meanwhile, the US market helped boosting the confidence, as the S&P 500 Index closed at a record high. Over the week, Hang Seng Index gained 82 points or 0.4% w-o-w to 20,602.87 with an intra-day high-low range of over 600 points. HSCFI gained 225 points, or 2.1% w-o-w to 10,874.45. Average daily turnover was HK\$67.07 billion, significantly up from HK\$59.16 billion last week.

Most local properties counters edged down as the local land auction on Tuesday did not beat market expectations and there were worries that the lending rates would be raised following higher inter-bank rates. Mainland coal plays were the top performers of the week as they agreed with Japanese buyers on a 2007 price hike of about 28% for thermal coal. The price hike was a result of strong domestic demand in China and the cut in tax rebates on exports in an effort to keep the resources for domestic uses. Meanwhile, Mainland life insurers gained because China would soon let insurance firms to invest more in equities and other assets overseas and to set up fund companies.

In late trade on Friday, the A-share market slumped more than 2.5% amid rumours that the government planned to impose capital gain tax. Though the market does not expect such a move to happen soon, market sentiment remains cautious in the near-term as volatility in the A-share market prevails; breakthrough from the recent range-trading pattern may be difficult with such overhang. We see the HSI to have good support at the 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							
1st Jun	13,627.64*	2,604.52*	17,958.88	3,548.32	1,360.07	753.93	8,249.90
25th May	13,507.28	2,557.19	17,481.21	3,486.63	1,339.08	719.14	8,159.97
Change	+120.36	+47.33	+477.67	+61.69	+20.99	+34.79	+89.93
%	+0.9%	+1.9%	+2.7%	+1.8%	+1.6%	+4.8%	+1.1%

Remark (*): closing as of 31st May 2007

Major Changes in Index Constituent Stocks (Week ended 1st June 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @01/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$8.55	+HK\$0.60	+7.55%	Sinopec has found an oilfield in Xinjiang Autonomous Region with reserves of 1.03 to 1.47 billion barrels of oil.
CITIC Pacific	0267	HK\$33.45	+HK\$2.15	+6.87%	The counter was lifted by positive brokerage ratings (Lehman initiated the coverage with an "Overweight" and Citigroup raised the target price to HK\$36.70 from the previous HK\$31.0).
Li & Fung	0494	HK\$26.10	+HK\$1.45	+5.88%	The counter was upgraded to "Buy" from "Neutral" by Goldman Sachs.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @01/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Coal	1898	HK\$10.52	+HK\$1.35	+14.72%	Coal miners in northern China agreed with Japanese buyers on a 2007 price hike of about 28% for thermal coal.
Yanzhou Coal	1171	HK\$10.50	+HK\$1.12	+11.94%	
Shenhua Coal	1088	HK\$24.60	+HK\$2.90	+13.36%	
Tsingtao Brewery	0168	HK\$19.24	+HK\$3.16	+19.65%	The counter was upgraded to "Buy" from "Sell" by Citigroup citing the leading position in the high-end market should help the company to have a material margin rebound in 2008.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @01/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$4.22	+HK\$0.56	+15.30%	The counter continued the rally from last week after posting a consensus-beating 1Q07 results.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – May 2007	108.0	The consumer confidence index rose to 108.0 in May, up from a revised 106.3 in April. Analysts had expected the reading to fall to 104.5. The May reading was the highest since March when the index was at 108.2.
FOMC minutes for the meeting on May 9	NA	The FOMC minutes showed that the downturn in housing was turning out to be more severe than expected and worries about inflation continued to dominate the May 9 discussions. Nearly all participants viewed core inflation as remaining uncomfortably high and stressed the importance of further moderation. Many economists said the minutes strongly suggest the central bank may be content to keep rates unchanged for the rest of this year.
Initial jobless claims – the week ended 26th May 2007	-4,000	Initial jobless claims declined by 4,000 to 310,000 in the week ended May 26, lower than market expectations of a rise to 315,000.
GDP (preliminary) – Q1 2007	+0.6%	The Commerce Department reported that GDP increased by just 0.6% during January to March, much weaker than the forecasted rate of 0.8%.
Construction spending – April 2007	+0.1%	Spending on U.S. construction projects rose 0.1% in April as a jump in private non-residential construction outlays offset a drop in spending on residential projects.
Chicago PMI – May 2007	61.7	Chicago's manufacturing index jumped to 61.7 from 52.9 in April. The market had expected a mild rise to 54.0.

Forthcoming Important Announcements / Events

4 th June 2007 (Monday)	HK US	: : :	No important announcement/event Factory Orders – April 2007 Bob Evans Farms Inc. – FY2006/07 final results
5 th June 2007 (Tuesday)	HK US	: : :	Ming Fung Jewellery (0860) – FY2006/07 interim results E. Bon Holdings (0599) – FY2006/07 final results Rising Development Holdings (1004) – FY2006/07 final results Non-Manufacturing ISM – May 2007 Brown-Foreman Corp. – FY2006/07 final results Guess Inc. – 1QFY2007
6 th June 2007 (Wednesday)	HK US	: : :	Wheelock Properties (0049) – FY2006/07 final results Beauforte Investors Corp. (0021) – FY2006/07 final results Mobile Telecom Network (8266) – FY2006/07 final results Revised Productivity – 1Q07
7 th June 2007 (Thursday)	HK US	: : :	Walker Group (1386) – trading debut Foreign currency reserve assets figures – May 2007 Initial jobless claims – the week ended 2 nd June 2007 Wholesale Inventories – April 2007 Consumer Credit – April 2007 Chain Store Sales – May 2007 National Semiconductor Corp. – FY2006/07 final results
8 th June 2007 (Friday)	HK US	: : :	Johnson Electric (0179) – FY2006/07 final results Link REIT (0823) – FY2006/07 final results Ta Yang Group (1991) - trading debut Trade Balance – April 2007 Kellwood Co. – 1QFY2007

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