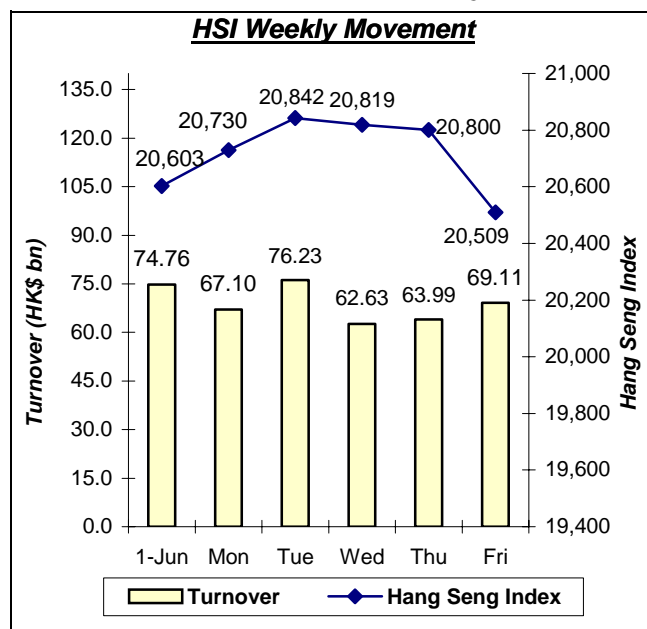


Interest-rate jitters weighed on the local bourse



Weekly Market Statistics				
Week ended	08/06/07	01/06/07	Change	%
Hang Seng Index	20,509	20,603	-94	-0.5%
HS Red Chip Index	3,640	3,614	+26	+0.7%
HS China Enterprises Index	10,829	10,874	-46	-0.4%
HS Composite Index	2,906	2,942	-36	-1.2%
HS HK Composite Index	2,498	2,548	-50	-1.9%
HS Mainland Composite Index	3,451	3,473	-22	-0.6%
Growth Enterprise Index	1,652	1,618	+34	+2.1%
Avg Daily Turnover (HK\$ bn)	67.8	67.1	+1	+1.1%
Sectoral Indices				
Finance	31,900	32,281	-381	-1.2%
Utilities	35,253	35,868	-616	-1.7%
Properties	24,705	24,867	-162	-0.7%
Comm & Ind	11,288	11,245	+43	+0.4%

Review & Outlook of Market Performance

Despite the highly volatile mainland markets, the local bourse started the week in a solid tone following the forecast-beating US economic data released last Friday. Stabilising mainland markets following the recent sell-offs also buoyed the sentiment in the local bourse in the early part of the week. However, the slew of reports showing economic strength in the US sparked speculations that rate cuts may be off the table and that there is a chance that the US Fed may actually have to raise rates again. Rate-hike jitters sent the global stock markets lower and the Hong Kong market was no exception. Rate-sensitive property counters were among the victims this week, with the HS Properties Sub-index down 0.7% w-o-w. Developers Henderson Land (HK\$52.55) fell by 3.0% w-o-w while Sino Land (HK\$16.28) lost 2.4%. The Hang Seng Index finished the week at 20,509.15, down 93.72 points or 0.5% w-o-w. Trading remained hectic this week, with average daily turnover amounted to HK\$67.8 billion (last week: HK\$67.07 billion).

H shares fared well earlier this week and marched to a fresh all-time closing high of 11,028.71 on Wednesday before a consolidation in the latter part of the week. Although the mainland markets staged some rebounds during the week amid news reports that Beijing has no plan to impose capital gains tax on stock trading, Hong Kong players remained cautious on the uncertainty about future moves by the Mainland Authorities. This was the main culprit for the weaknesses of the mainland financial counters, with the HS China H-Financial Index down 1.7% over the week. Cushioned by strength in heavyweight PetroChina (HK\$10.48, +3.1% w-o-w) on solid crude oil prices, the HSCEI eventually ended this week's trades at 10,828.64, down 0.4% w-o-w.

Looking forward, market spotlight will be on the public land auction next Tuesday (12th June 2007) when a parcel of land on Hoi Fai Road in West Kowloon Reclamation Area goes under the hammer. Another focus will certainly be the releases of the May 07 inflation data of China and US, scheduled next Tuesday (12th June 2007) and Friday (15th June 2007) respectively, providing some indications for the future rate move by the central banks of the two countries. We see the HSI to be range-traded with good support at 20,300.

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							
8th June	13,266.73*	2,541.38*	17,779.09	3,491.59	1,352.39	752.00	8,300.71
1st June	13,668.11	2,613.92	17,958.88	3,548.32	1,360.07	753.93	8,249.90
Change	-401.38	-72.54	-179.79	-56.73	-7.68	-1.93	+50.81
%	-2.9%	-2.8%	-1.0%	-1.6%	-0.6%	-0.3%	+0.6%

Remark (*): closing as of 7th June 2007

Major Changes in Index Constituent Stocks (Week ended 8th June 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @08/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$8.14	+HK\$0.66	+8.8%	Strong oil prices and brokers' upgrades drove the offshore oil producers' share higher and once reached a record high of HK\$8.40 during the week.
Foxconn	2038	HK\$21.45	-HK\$2.55	-10.6%	The mobile handset maker plunged following a share placement by an institutional investor and earnings estimate cut by Goldman Sachs.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @08/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotrans	0598	HK\$3.75	+HK\$0.18	+5.0%	The counter rode on the news that its parent will inject assets into the Hong Kong-listed vehicle.
China Telecom	0728	HK\$4.45	+HK\$0.22	+5.2%	The fixed-line operator surged on renewed speculation that it will be awarded a 3G mobile license.
China Communications Construction	1800	HK\$11.54	+HK\$0.68	+6.3%	Media reports quoted its chairman as saying that the firm's revenue rose 30% y-o-y and profit surged 60%-70% for the first 4 months of 2007.
Zijin Mining	2899	HK\$4.50	+HK\$0.33	+7.9%	The mainland gold miner surged on solid gold prices.
Anhui Conch Cement	0914	HK\$42.50	-HK\$2.95	-6.5%	The cement producer fell on profit-taking after its recent strengths.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @08/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance International	0966	HK\$11.48	-HK\$0.92	-7.4%	The insurer retreated after hitting its all-time high last Friday.

Summary of US Economic News

Indicator	Change/Index	Comments
Factory orders – April 2007	+0.3% m-o-m	New orders at US factories rose a smaller-than-expected 0.3% in April, the weakest increase since January, on a sharp drop in aircraft orders.
ISM non-manufacturing index – May 2007	59.7	The US service sector grew at its fastest rate in a year in May, surprising the market which had expected a slightly slower pace. The ISM services index rose to 59.7 in May from 56.0 in April.
Productivity (revised) - Q1 2007	+1.0% q-o-q	Productivity increased by 1.0% in the quarter, down from the original estimate of a 1.7% gain.
Initial jobless claims – the week ended 2 nd June 2007	-1,000	Initial jobless claims edged down by 1,000 to a seasonally-adjusted 309,000, underscoring stability in the US labour market.
Consumer credit – April 2007	+US\$2.6 billion	US consumer credit rose by a smaller-than-expected US\$2.6 billion in April, following an upwardly-revised jump of US\$14.01 billion in March.
Wholesale inventories – April 2007	+0.3% m-o-m	Inventories at US wholesalers rose 0.3% in April as stocks of nondurable goods posted the biggest percentage increase in 5 months. Wholesale sales jumped 1.3% in April after a 2.1% rise in March

Forthcoming Important Announcements / Events

11 th June 2007 (Monday)	HK	:	No important announcements / events
	US	:	No important announcements / events
12 th June 2007 (Tuesday)	HK	:	Public land auction TPV Technology (0903) – Q1 2007 results
	US	:	Lehman Brothers Holdings Inc – Q2 2006/07 results
13 th June 2007 (Wednesday)	HK	:	No important announcements / events
	US	:	Retail sales – May 2007 Business inventories – April 2007
14 th June 2007 (Thursday)	HK	:	Wheelock & Co (0020) – FY2006/07 final results Gold Peak Industries – FY2006/07 final results Le Saunda Holdings (0738) – FY2006/07 final results China Pharmaceutical (1093) – Q1 2007 results
	US	:	Initial jobless claims – the week ended 9 th June 2007 Producer price index – May 2007 Adobe Systems Inc – Q2 2006/07 results Bear Stearns Cos Inc – Q2 2006/07 results Goldman Sachs Group Inc – Q2 2006/07 results
15 th June 2007 (Friday)	HK	:	San Miguel Brewery Hong Kong – Q1 2007 results Sunny Optical Technology (2382) – trading debut United Laboratories International (3933) – trading debut
	US	:	Consumer price index – May 2007 Current account – Q1 2007 Industrial production – May 2007 Carnival Corp – Q2 2006/07 results

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