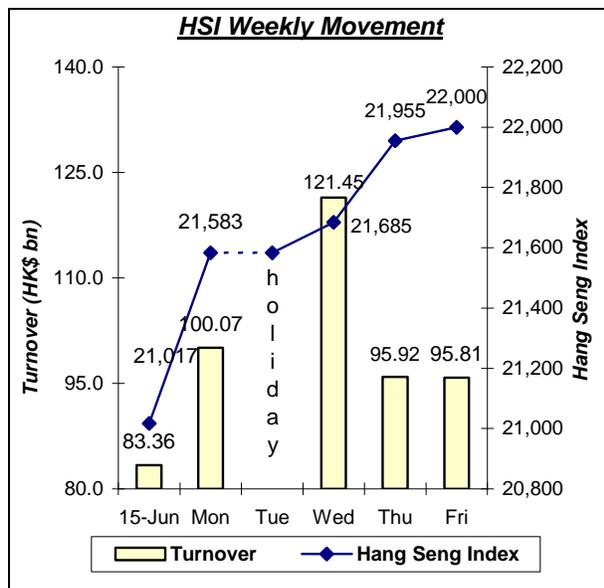


Restricted circulation

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Weekly Report

 22nd June 2007

Consecutive record closes for the HSI and HSCEI


Weekly Market Statistics

Week ended	22/06/07	15/06/07	Change	%
Hang Seng Index	22,000	21,017	+983	+4.7%
HS Red Chip Index	4,161	3,807	+354	+9.3%
HS China Enterprises Index	12,240	11,444	+796	+7.0%
HS Composite Index	3,134	2,997	+137	+4.6%
HS HK Composite Index	2,549	2,520	+29	+1.2%
HS Mainland Composite Index	3,889	3,624	+265	+7.3%
Growth Enterprise Index	1,666	1,679	-13	-0.8%
Avg Daily Turnover (HK\$ bn)	103.3	64.4	+39	+60.5%
Sectoral Indices				
Finance	33,909	32,553	+1,356	+4.2%
Utilities	35,009	35,604	-595	-1.7%
Properties	25,588	25,158	+430	+1.7%
Comm & Ind	12,401	11,645	+755	+6.5%

Review & Outlook of Market Performance

Riding on the momentum that started off late last week, Hong Kong stocks continued the rally particularly when the US stock market advanced and after the China Securities Regulatory Commission announced on Wednesday to allow fund managers and securities firm to invest in stocks and other structured products overseas through the QDII scheme. Both the Hang Seng Index and the China Enterprises Index reached their record highs and the daily mainboard turnover hit a record of over HK\$100 billion on two straight days in view of the liberation of QDII. Investors expect more liquidity from across the border to rush into the local bourses, and this may lead to a re-rating of the local market as a whole near-term. The buying frenzy in mainland financials, oil and telecom heavyweights drove the rallies in the HSI and the HSCEI. But the performance of local blue chips remained generally lacklustre. While some investors started to concern the market might become overbought amid this stellar run-up, the local bourses had the timely impetus to prolong the consecutive record closes for the indices. The blue-chip index rallied 4.68% w-o-w to 21,999.91, after hitting an intraday high at 22,052.85 on Friday while the H-share index soared 6.95% to 12,239.71 after hitting an intraday high at 12,309.99 on Friday. Trading was hectic during the week with the average daily turnover at HK\$103.3 billion, significantly up from HK\$64.4 billion during last week.

Lots of buying interests came in for China names with many counters setting life highs despite weakness in the China A share market. China Mobile, China Construction Bank and PetroChina surged on the news of upcoming A share issuance. HKEX soared to its 6th consecutive peak on the hope that funds inflow from QDII will bring along sustainable boost in trading volume. Mainland banks generally caught up on their underperformance so far this year, while mainland insurers jumped on hopes they would be next to get the green light to invest abroad under the QDII scheme. Meanwhile, over ten IPOs are in the pipeline to take advantage of the recent euphoria in the market.

Looking ahead, investors' focus may be on the upcoming US interest rate decision. Profit-taking may kick in but we see short-term downside to be limited as strong sentiment can send the market higher even after this week's consecutive run-ups.

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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 22nd June	13,545.84*	2,616.96*	18,188.63	3,615.38	1,391.57	772.05	8,846.39
15th June	13,639.48	2,626.71	17,971.49	3,581.46	1,360.65	744.25	8,573.64
Change	-93.64	-9.75	+217.14	+33.92	+30.92	+27.80	+272.75
%	-0.7%	-0.4%	+1.2%	+0.9%	+2.3%	+3.7%	+3.2%

Remark (*): closing as of 21st June 2007

Major Changes in Index Constituent Stocks (Week ended 22nd June 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$84.65	+HK\$8.85	+11.68%	The company said it plans to raise up to RMB80 billion in A-share offer in Shanghai as early as July.
HKEX	0388	HK\$108.90	+HK\$14.0	+14.75%	The counter broke through the \$100-mark as it was viewed as a major beneficiary of QDII scheme amid higher trading volume in the local bourses.
China Construction Bank	0939	HK\$5.32	+HK\$0.41	+8.35%	The bank plans to issue not more than 9 billion new A shares raising over RMB50 billion.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$11.72	+HK\$0.92	+8.52%	PetroChina said it will sell up to 4 billion A-shares with a value of HK\$47 billion and use the money to buy oil and gas, fund exploration, and build refineries and pipelines.
Shanghai Electric Group	2727	HK\$3.79	+HK\$0.55	+16.98%	Citigroup said in a report that mainland power equipment companies were seeing strong order flows this year and they were attractive based on their substantial discounts to global peers.
PICC	2328	HK\$6.52	+HK\$1.41	+27.59%	Mainland insurers jumped on hopes they would be next to get the green light to invest abroad under the QDII scheme.
China Life Insurance	2628	HK\$28.95	+HK\$3.20	+12.43%	
Ping An	2318	HK\$57.25	+HK\$8.65	+17.80%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Power International	2380	HK\$4.43	+HK\$0.51	+13.01%	Mainland power producers generally edged up as there was news that a third round of coal electricity price linkages was warranted due to rising coal costs.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing starts – May 2007	32,000 / -2.1%	In May, homebuilders saw housing starts drop to a seasonally adjusted annual rate of 1.474 million units, which was 2.1% below the revised April estimate of 1.506 million. The May figures were inline with market expectation of 1.475 million.
Index of leading indicators – May 2007	0.3%	The index of leading indicators rose 0.3% in May after a 0.3% drop in the prior month. This was higher than market expectation of 0.2% mainly boosted by rising stock prices, higher consumer expectations and availability of jobs.
Initial jobless claims – the week ended 16 th June 2007	+10,000	Initial jobless claims rose by 10,000 w-o-w to 324,000 last week, versus a consensus forecast of 310,000.

Forthcoming Important Announcements / Events

25 th June 2007 (Monday)	HK	: Macau Prime Properties (0199) – final results Huafeng Textile (0364) – interim results HK Economic Times (0423) – final results Golden Meditech (8180) – final results
	US	: Existing Home Sales – May 2007 Walgreen – 3Q07 results
26 th June 2007 (Tuesday)	HK	: Dickson Concept (0113) – final results Pico Far East (0752) – interim results Sunny Global Holdings (1094) – interim results
	US	: Consumer Confidence – June 2007 New Home Sales – May 2007 Nike Inc. – FY2007 results Oracle – FY2007 results
27 th June 2007 (Wednesday)	HK	: Miramar Hotel (0071) – final results Shaw Brothers (0080) – final results Tai Cheung Holdings (0088) – final results United Pacific Industries (0176) – interim results Town Health (8138) – final results Ka Shui (0822) – Trading debut
	US	: Durable Goods Order – May 2007
28 th June 2007 (Thursday)	HK	: Sa Sa (0178) – final results HKR International (0480) – final results Fujikon Industrial (0927) – final results Man Sang International (0938) – final results
	US	: FOMC meeting Initial jobless claims – the week ended 23rd June 2007 GDP – 1Q2007 Monsanto – 3Q07 results 3Com Corp – FY2007 results
29 th June 2007 (Friday)	HK	: Cosmopolitan International (0120) – final results Tao Heung (0573) – Trading debut
	US	: Chicago PMI – June 2007 Construction Spending – May 2007



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