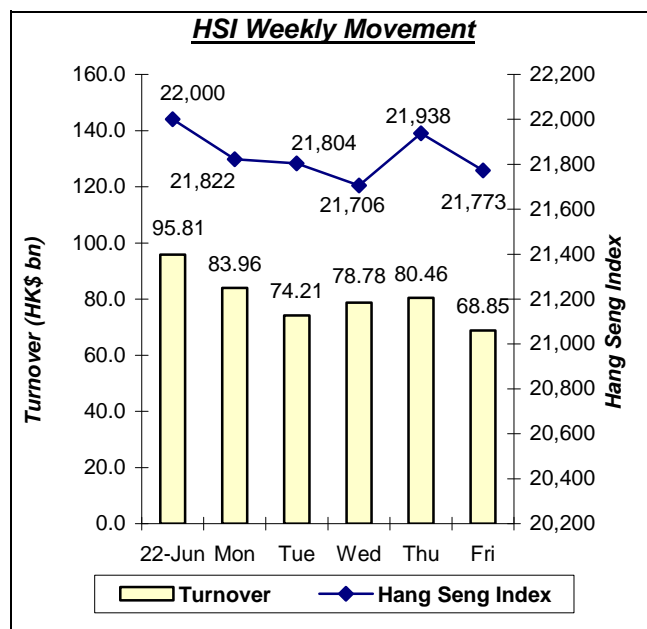


A consolidation week



Weekly Market Statistics				
Week ended	29/06/07	22/06/07	Change	%
Hang Seng Index	21,773	22,000	-227	-1.0%
HS Red Chip Index	4,132	4,161	-30	-0.7%
HS China Enterprises Index	12,001	12,240	-239	-1.9%
HS Composite Index	3,110	3,134	-25	-0.8%
HS HK Composite Index	2,533	2,549	-16	-0.6%
HS Mainland Composite Index	3,854	3,889	-35	-0.9%
Growth Enterprise Index	1,632	1,666	-34	-2.1%
Avg Daily Turnover (HK\$ bn)	77.3	103.3	-26	-25.2%
Sectoral Indices				
Finance	33,436	33,909	-473	-1.4%
Utilities	35,038	35,009	+29	+0.1%
Properties	25,363	25,588	-226	-0.9%
Comm & Ind	12,293	12,401	-108	-0.9%

Review & Outlook of Market Performance

Hong Kong stocks were in a consolidation mode following consecutive record closes last week. The local bourse started the week in a soft tone amid some profit-taking activities while fears of further policy tightening by the mainland government and weaknesses in the US markets last Friday undermined the market sentiment. Futures-led trading was also behind the scene with the June index futures contracts expired on Thursday when the local markets staged a short-lived rebound before resuming the downtrend on Friday as investors took profits on the quarter end. The Hang Seng Index closed the week's trades at 21,772.73, down 227.18 points or 1.0% w-o-w. Trading turned more cautious this week following last week's hectic activities, while the slew of IPOs also attracted funds away from the secondary market. Average daily turnover for the week shrank notably to HK\$77.3 billion from last week's HK\$103.3 billion.

In tandem with a pullback in the mainland markets amid interest-rate jitters and the central government's proposal to issue a massive RMB1.55-trillion special government bonds to purchase FX for funding the launch of a state investment fund, H shares had a lacklustre week and the HSCEI ended the week down 1.9% w-o-w at 12,001.12. In fact, the mainland markets, with the Shanghai SE Composite Index down 6.6% w-o-w, was also undermined by the news of a potential abolition/reduction of the 20% tax on interest earned on bank deposits, which was believed to attract funds to return back to bank savings from the A-share markets. Both the government bond issuance and the abolition/reduction of the deposit interest tax were authorised by the Standing Committee of the National People's Congress on Friday.

During the week, the Hong Kong government released the latest trade figures of the city. Total exports grew 12.1% y-o-y in May, indicating the city's external trades remained robust. Meanwhile, the US Fed held the rates unchanged as expected following the 2-day FOMC meeting but indicated it still worried about inflation.

Looking forward, trading in the local bourse is expected to remain cautious in the coming 4-day trading week, with the stock market to be closed next Monday (2nd July) following HKSAR Establishment Day. Whilst the ample liquidity in the local bourse should provide support to the local market, the HSI is expected to be top heavy at the all-time high of 22,085.59 amid a lack of fresh catalyst.

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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							
29th June	13,422.28*	2,608.37*	18,138.36	3,548.20	1,354.38	776.79	8,883.21
22nd June	13,360.26	2,588.96	18,188.63	3,615.38	1,391.57	772.05	8,846.39
Change	+62.02	+19.41	-50.27	-67.18	-37.19	+4.74	+36.82
%	+0.5%	+0.7%	-0.3%	-1.9%	-2.7%	+0.6%	+0.4%

Remark (*): closing as of 28th June 2007

Major Changes in Index Constituent Stocks (Week ended 29th June 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @29/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Henderson Land	0012	HK\$53.25	-HK\$2.50	-4.48%	The property counters eased this week on profit-taking following the recent rally.
Hang Lung Properties	0101	HK\$26.95	-HK\$1.25	-4.43%	
China Netcom	0906	HK\$21.60	-HK\$1.45	-6.29%	Shares of the mainland fixed-line operator fell after a 9.1% run-up last week driven by the expectation of a potential restructuring of the industry.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$8.65	-HK\$0.40	-4.42%	The surprise resignation of its chairman undermined the oil refiner's share price.
Sinotrans	0598	HK\$3.70	-HK\$0.36	-8.87%	UPS was selling its entire stake in the firm through a share placement at HK\$3.56 to HK\$3.71 each.
Anhui Conch Cement	0914	HK\$55.00	+HK\$3.00	+5.77%	The cement maker planned to issue up to 200 million A shares in Shanghai, raising capital to fund expansion of production capacity.
Yanzhou Coal	1171	HK\$11.94	+HK\$0.50	+4.37%	The coal producer agreed to sell 200,000 tonnes of thermal coal to Japanese utilities at US\$75 per tonne FOB, a 15% rise on 2006 prices.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @29/06/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Shanghai Industrial	0363	HK\$30.00	+HK\$6.55	+27.93%	The conglomerate said it plans to expand its operation into property by taking a 40% stake in a Shanghai real-estate firm for RMB2.13 billion.
Lenovo Group	0992	HK\$4.61	-HK\$0.33	-6.68%	The PC maker retreated on profit-taking following the recent upsurge.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing home sales – May 2007	-0.3% m-o-m	Existing home sales slowed to an annual pace of 5.99 million in May, the slowest pace since June 2003, following a revised 6.01-million rate in April.
New home sales – May 2007	-1.6% m-o-m	New home sales posted a surprising 1.6% drop to an annual rate of 915,000 in May from a downwardly revised 930,000 pace in April
Consumer confidence – June 2007	103.9	Consumer confidence slid further than expected to 103.9 in June, the lowest since August 2006, from an upwardly revised 108.5 in May.
Durable goods orders – May 2007	-2.8% m-o-m	New orders for durable goods tumbled a larger-than-expected 2.8% in May. The drop was the first decline since January and followed a 1.1% rise in April.
GDP (final) – Q1 2007	+0.7% q-o-q	GDP grew at a 0.7% annual rate in Q1 2006, slightly higher than the 0.6% rate reported a month ago. As the case with the previous reading, the pace of growth is the weakest since Q4 2002.
Initial jobless claims – the week ended 23 rd June 2007	-13,000	Initial jobless claims fell to 313,000 last week, slightly lower than expected.

Forthcoming Important Announcements / Events

2 nd July 2007 (Monday)	HK	:	Holiday – The day following HKSAR Establishment Day
	US	:	ISM manufacturing index – June 2007
3 rd July 2007 (Tuesday)	HK	:	Retail sales – May 2007 Yip's Chemical (0408) – 2006/07 final results KWG Property Holdings (1813) – trading debut
	US	:	Factory orders – May 2007
4 th July 2007 (Wednesday)	HK	:	Chuang's China Investments (0298) – 2006/07 final results China High Speed Transmission (0658) – trading debut
	US	:	Holiday – Independence Day
5 th July 2007 (Thursday)	HK	:	Centron Telecom International (1155) – trading debut
	US	:	Initial jobless claims – the week ended 30 th June 2007 ISM non-manufacturing index – June 2007
6 th July 2007 (Friday)	HK	:	Delta Networks (0722) – trading debut Stella International (1836) – trading debut
	US	:	Unemployment rate – June 2007

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