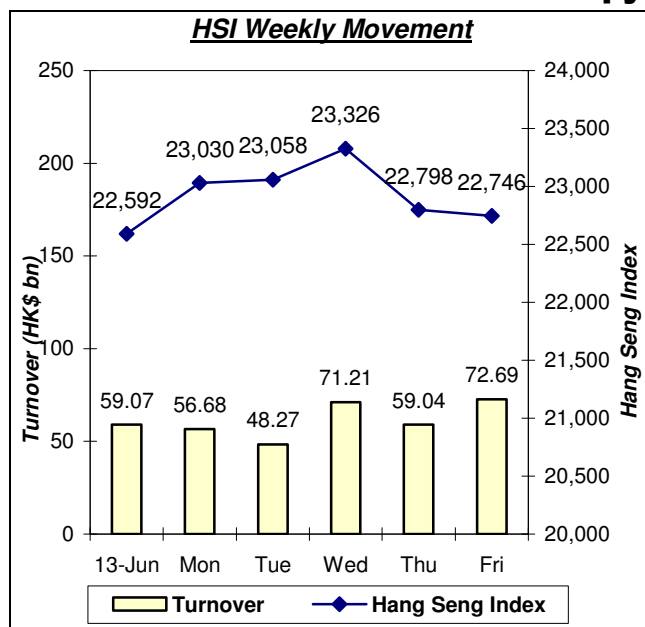


## HK investors took a bumpy ride amid volatile PRC market



<b>Weekly Market Statistics</b>				
Week ended	20/6/2008	13/6/2008	Change	%
Hang Seng Index	22,746	22,592	+153	+0.7%
HS Red Chip Index	4,821	4,785	+36	+0.7%
HS China Enterprises Index	12,344	12,213	+130	+1.1%
HS Composite Index	3,200	3,197	+4	+0.1%
HS HK Composite Index	2,469	2,471	-2	-0.1%
HS Mainland Composite Index	4,129	4,119	+10	+0.2%
Growth Enterprise Index	828	837	-9	-1.1%
Avg Daily Turnover (HK\$ bn)	61.6	70.4	-9	-12.5%
Sectoral Indices				
Finance	34,158	34,152	+6	+0.0%
Utilities	43,515	43,269	+246	+0.6%
Properties	27,692	27,414	+278	+1.0%
Comm & Ind	12,858	12,694	+164	+1.3%

### Review & Outlook of Market Performance

Hong Kong shares swung between positive and negative territories during the week, tracking a volatile Mainland stock market. The PRC and the HK benchmark stock indexes moved up on Wednesday on rumours about government support in the PRC stock market. It soon lost steam on Thursday as the rumours did not materialise. Both the HK and PRC equities markets regained some ground initially on Friday, following Beijing's decision to raise refined oil product prices that would help index heavyweights PetroChina and Sinopec. However, the impulse was short-lived, as investors remained bearish and rushed to take profit on market rebound. Over the week, the Hang Seng Index inched up 0.7% to 22,745.60, while the HSCEI rose 1.1% to 12,343.54. The turnover remained low with daily average at HK\$61.6 billion, after setting a one-year low on Tuesday.

HK investors had a bumpy ride this week, amid rumours that Beijing would introduce another round of administrative measures to support the domestic stock markets after the CSI 300 Index fell for ten consecutive days on Tuesday. In fact, Beijing did not introduce any supportive measures, but it raised domestic refined oil product prices - a step forward to rationalise the rigid energy pricing regime in the Mainland. The news helped boost PetroChina and Sinopec, lifting both the HK and the PRC stock indexes. However, the price hike also laid pressure on the Mainland airlines, as domestic jet fuel price was raised by RMB1,500 per tonne or about 25%. All in all, PetroChina and Sinopec were among the winners with gains of 4.9% and 11.3% w-o-w, respectively, while Air China underperformed to finish the week down by 8.4%. Meanwhile, Beijing also raise power tariffs by nearly 5% and put a cap on thermal coal prices, which helped power producers like Huaneng Power (+1.7% w-o-w) but depressed coal miners like China Shenhua (-1.7% w-o-w).

The near-term market sentiment should stay weak, amid high crude oil prices and policy risk in the Mainland. Investors would keep close eyes on the next FOMC meeting to be held on Jun 24-25, in order to see the direction of the rate movements going forward. For the next week, the blue-chip index is seen hovering between 22,500 to 23,000.

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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							
20th June	12,063.09*	2,462.07*	13,942.08	3,001.81	1,206.67	768.90	7,902.44
13th June	12,307.35	2,454.50	13,973.73	2,979.56	1,229.35	782.64	8,105.59
Change	-244.26	+7.57	-31.65	+22.25	-22.68	-13.74	-203.15
%	-2.0%	+0.3%	-0.2%	+0.7%	-1.8%	-1.8%	-2.5%

Remarks: (\*) closing as of 19<sup>th</sup> June 2008

### Major Changes in Index Constituent Stocks (Week ended 20<sup>th</sup> June 2008)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @20/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	00386	HK\$8.08	+HK\$0.82	+11.29%	The two Mainland oil refining giants were among the winners during the week, after Beijing decided to raise retail gasoline and diesel and wholesale jet fuel oil prices to reflect rising global crude oil prices. It was the first hike in 8 months while the rises of 16.7% and 18% for gasoline and diesel prices, respectively, were higher than market expectation of a 10% hike.
PetroChina	00857	HK\$10.46	+HK\$0.49	+4.91%	

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Aluminium Corp of China (Chalco)	02600	HK\$10.32	-HK\$0.76	-6.86%	Chalco was under pressure this week, as investors feared that the rise of power tariffs for industrial use in the Mainland would put further cost pressure on its alumina production. Market is expecting Chalco would report a weaker 2 <sup>nd</sup> quarter result, while the company said its bottom line for the 1H would be at least 50% lower from a year earlier.
Air China	00753	HK\$4.49	-HK\$0.41	-8.37%	The Mainland airlines were among the losers, after Beijing raised domestic jet fuel oil prices by more than 25%.

#### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @20/6/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance International	00966	HK\$20.00	+HK\$0.70	+3.63%	CIIH announced that its 50.05% owned Tai Ping Life Insurance recorded accumulated premium income of RMB8.90 billion during the first 5 months of this year, up about two-third from a year earlier.



## Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts – May 2008	-3.3%	Housing starts fell 3.3% to an annual rate of 975,000 units in May from 1,008,000 in April, slightly below forecast of 980,000. The figure was at a 17-year low, pointing to a batter US property sector.
Producer price index – May 2008	+1.4%	Producer prices rose 1.4% in May after a 0.2% rise in April, mainly driven by surging energy and food prices. Stripping out volatile energy and food prices, the core PPI grew 0.2%, down from 0.4% in April.
Industrial production – May 2008	-0.2%	Industrial output fell 0.2% last month after a 0.7% drop in April, falling short of forecast of a 0.1% dip.
Initial jobless claims – the week ended 14 <sup>th</sup> June 2008	-5,000	Initial jobless claims fell 5,000 to 381,000 last week, beating market expectations.
Index of leading indicators – May 2008	+0.1%	Leading economic indicators grew 0.1% in May, slightly better than forecast of standing still.

## Forthcoming Important Announcements / Events

23 <sup>rd</sup> June 2008 (Monday)	HK	:	Balance of payments – Q1 2008 Dickson Concepts (International) (00113) – final results <b>Hong Kong Economic Times Holdings (00423) – final results</b> Easyknit Enterprises Holdings (00616) – final results Automated Systems Holdings (00771) – final results Chongqing Iron & Steel Company (01053) – final results
	US	:	Consumer confidence – June 2008
24 <sup>th</sup> June 2008 (Tuesday)	HK	:	Huafeng Group Holdings (00364) – interim results Ming Fung Jewellery Group (00860) – interim results
	US	:	Durable goods orders – May 2008 New home sales – May 2008
25 <sup>th</sup> June 2008 (Wednesday)	HK	:	<b>Miramar Hotel and Investment Company (00071) – final results</b> Tai Cheung Holdings (00088) – final results <b>Sa Sa International (00178) – final results</b> <b>Public Financial Holdings (00626) – interim results</b> Jiwa Bio-Pharm Holdings (02327) – final results
	US	:	<b>FOMC policy statement</b> <b>Nike – Q4 2007/08 results</b> <b>Oracle – Q4 2007/08 results</b>
26 <sup>th</sup> June 2008 (Thursday)	HK	:	External trade – May 2008 <b>Gold Peak Industries (Holdings) (00040) – final results</b> <b>HKR International (00480) – final results</b> Man Sang International (00938) – final results China-Hongkong Photo Products Holdings (01123) – final results
	US	:	GDP (final) – Q1 2008 Initial jobless claims – the week ended 21 <sup>st</sup> June 2008 <b>Existing home sales – May 2008</b> Micron Technology – Q3 2007/08 results
27 <sup>th</sup> June 2008 (Friday)	HK	:	<b>Shaw Brothers (Hong Kong) (00080) – final results</b> United Pacific Industries (00176) – interim results South East Group (00726) – final results Jia Sheng Holdings (00729) – final results
	US	:	Personal income and spending – May 2008



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