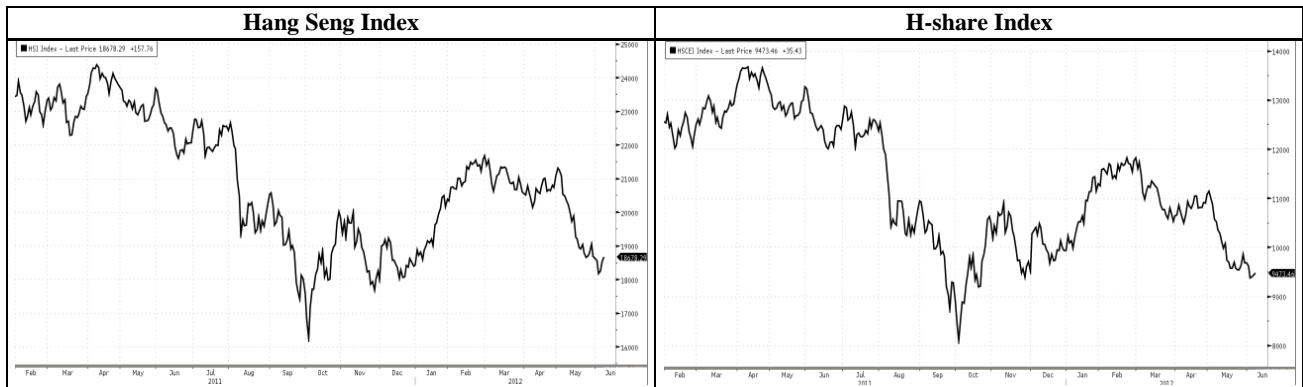




HONG KONG STOCK MARKET SUMMARY



Indexes Performance

07/06/2012	PER(x)	Close	Chg. (%)	Net Chg.	Day High	Day Low		(HK\$m)	Chg. (%)
Hang Seng Index	9.05	18,678.29	0.85%	157.76	18,845.57	18,624.43	Main board turnover	47,656	3.40%
HSI-Finance	8.76	25,466.23	1.13%	284.58	25,709.57	25,359.30	HSI stocks	18,283	-0.88%
HSI-Comm & Ind	9.91	11,218.65	0.72%	80.59	11,344.10	11,193.58	HSCEI stocks	11,637	3.49%
HSI-Properties	5.95	23,178.81	0.64%	147.72	23,424.69	23,164.02	Derivative warrants	7,056	-2.13%
HSI-Utilities	16.58	44,180.99	-0.30%	-132.51	44,395.79	43,941.09	Callable Bull/Bear	5,807	-15.15%
HSI Volatility Index	-	26.96	-1.32%	-0.36	27.06	25.58	Short-selling	4,159	11.22%

07/06/2012	PER(x)	Close	Chg. (%)	07/06/2012	Close	Chg. (%)
HS Composite Index	-	2,567.55	0.78%	HSCI-Financials	2,729.57	1.10%
Red Chip Index	10.45	3,672.09	0.96%	HSCI-Services	3,340.88	0.40%
HS H-share Index	7.94	9,473.46	0.38%	HSCI-Telecom	1,636.07	-0.20%
H-share Financial Index	7.34	12,701.89	0.59%	HSCI-Prop & con	2,401.96	0.60%
				HSCI-Utilities	5,336.81	-0.04%
				HSCI-Energy	11,894.30	0.86%
				HSCI-Materials	5,917.40	-0.12%
				HSCI-Industrial goods	1,029.64	-0.39%
				HSCI-Consumer goods	4,215.21	0.71%
				HSCI-I.T.	2,488.59	1.47%
				HSCI-Conglomerates	1,987.03	1.57%

Futures Market

	Close	Net change	Chg. (%)	Day High	Day Low	Volume	O/I
HSI Futures							
HSI Jun 12	18,495	386	2.13%	18,496	18,220	82,869	112,649
HSI July 12	18,490	380	2.10%	18,490	18,231	781	2,989
HS CEI Futures							
HSCEI Jun 12	9,364	138	1.50%	9,374	9,248	42,796	120,887
HSCEI July 12	9,305	77	0.83%	9,360	9,244	128	1,097

HK Stocks in the U.S.

Code	Stock	In US (HK\$)	In HK (HK\$)	Chg.	Code	Stock	In US (HK\$)	In HK (HK\$)	Chg.
5	HSBC HOLDINGS	63.70	61.90	2.9%	857	PETROCHINA	10.02	9.89	1.3%
2888	STANCHART	161.84	157.90	2.5%	386	SINOPEC CORP	7.08	6.99	1.4%
945	MANULIFE	83.32	82.00	1.6%	883	CNOOC	14.06	13.78	2.1%
2628	CHINA LIFE	17.88	17.46	2.4%	338	SHANGHAI PECEM	2.23	2.19	1.9%
941	CHINA MOBILE	79.17	78.95	0.3%	670	CHINA EAST AIR	2.35	2.31	1.7%
762	CHINA UNICOM	10.42	10.28	1.4%	1055	CHINA SOUTH AIR	3.43	3.48	-1.5%
728	CHINA TELCOM	3.40	3.38	0.6%	902	HUANENG POWER	5.17	5.19	-0.4%
1137	CITY TELECOM	4.23	4.27	-1.0%	1171	YANZHOU COAL	12.12	11.82	2.5%
700	TENCENT	219.56	216.20	1.6%	2600	CHALCO	3.19	3.15	1.4%
992	LENOVO GROUP	6.73	6.69	0.5%	525	GUANGSHEN RAIL	2.54	2.51	1.1%

Event: Highly leveraged China property developers such as Sunac (1918; D/E 104.1%), Guangzhou R&F (2777; D/E 85.1%), Shimao (813; D/E 81.6%) and Evergrande (3333; D/E 67.5%) are set to benefit from 25bp cut in benchmark interest rates. The cut will be effective from Jun 8.

Comments:

- **Retain cash resources for property developers; high gearing names benefit more:** Among China property developers, the high gearing (net debt/equity) stocks, such as Sunac(1918), R&F Properties(2777), Shimao(813) and Evergrande(3333) will benefit more from the downward interest rate cycle. Their end-2011 net gearing was at 104.1%, 85.1%, 81.6% and 67.5% respectively. According to the accounting policy, property developers are allowed to capitalize interest rate expense, hence, the interest rate cut is not expected to bring in big gross profit margin improvement in the short term. However, the cut will help property developers retain valuable cash resources. We estimated the 25bp rate cut will reduce yearly cash outflow of Rmb28.9mn, Rmb70.9mn, Rmb106.4mn and Rmb129.3mn each for the above four mentioned developers.

HK- listed peers ranking by gearing

Ticker	Stock name	Latest FY end	ROE (%)	Gross profit margin (%)	Net profit margin (%)	Asset turnover (%)	Gearing (%)
1918	SUNAC CHINA HOLD	12/2011	33.8	33.6	22.5	31.5	104.1
2777	GUANGZHOU R&F -H	12/2011	21.5	41.7	17.7	32.5	85.1
813	SHIMAO PROPERTY	12/2011	21.1	38.4	24.8	22.2	81.6
3333	EVERGRANDE REAL	12/2011	36.1	33.3	18.4	34.6	67.5
1813	KWG PROPERTY	12/2011	15.6	44.2	20.8	22.7	61.8
2007	COUNTRY GARDEN	12/2011	20.1	34.5	16.8	32.4	61.4
1109	CHINA RES LAND	12/2011	13.7	39.6	22.5	19.8	56.7
1777	FANTASIA HOLDING	12/2011	20.8	42.8	21.6	40.6	56.7
3383	AGILE PROPERTY	12/2011	24.1	53.8	22.8	28.1	52.6
960	LONGFOR PROPERTI	12/2011	31.5	40.5	28.7	24.8	39.2
688	CHINA OVERSEAS	12/2011	21.5	44.9	30.9	27.6	33.2
1224	C C LAND HOLDING	12/2011	2.9	27.1	8.6	13.6	2.4
2868	BEIJING CAPITAL	12/2011	20.8	38.7	15.7	19.9	-13.3

Source: company info and ABCI Securities estimates

- **Enhancing purchasing power of home buyers slightly...:** We estimated that the 25bp rate cut will lower the home buyers' monthly payment slightly by Rmb80 (or 1.9%) from Rmb4,168 to Rmb4,088, based on the following key assumptions.

Assumptions	
House value	Rmb0.765mn with ASP at Rmb8,500/sqm. and GFA at 90 sqm.
Down payment ratio	30%
Loan duration	20 years
Benchmark lending rate	Declines by 25bp to 6.80% from 7.05%(the latest above 5yr lending benchmark rate from PBOC)

Source: PBOC and ABCI Securities estimates

- **...but start to be meaningful:** We doubt the real effect of interest rate cut on boosting up short term demand as home buyers might be more sensitive to residential price trend. However, as we expect that with supply (GFA start + inventory) continuing to go down, the ASP trend will stabilize and developers



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regain pricing power in 6-12 months. In such a scenario, the interest rate cut start to be meaningful. We are expecting to see steadily release of genuine demand backed by favorable interest rate cycle going forward.

Analyst: Vivian Li

HK stock market risks monitor

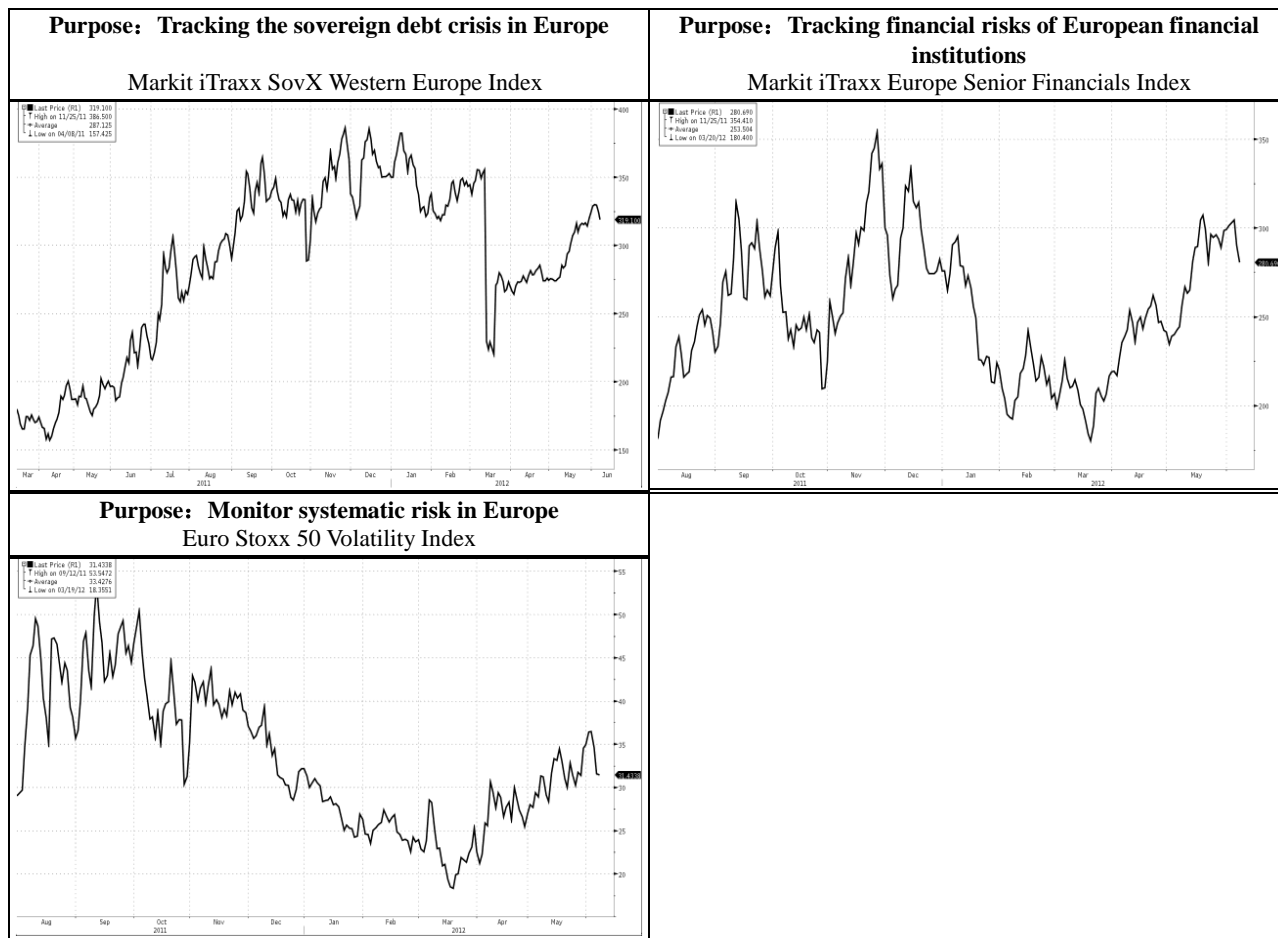
China 5-year CDS and HK 5-year CDS dropped on 07June. The HK\$ against US\$ is traded at 7.7582 in the morning of 08June.



Source: Bloomberg

Europe debt crisis monitor (Update to 07/06/2012)

Markit iTraxx SovX Western Europe Index which tracks CDS of 15 Western European and Markit iTraxx Europe Senior Financials Index which tracks CDS of major financial institutions in Europe edged down on 07 June.



Remarks: Indices indicate the default risks of sovereign debt and debts of financial institutions. Increase in index implies risk of debt crisis is rising and vice versa.

Source: Bloomberg, Markit



SHORT SELLING ACTIVITIES (07/06/2012)

Code	Stock	Price (HK\$)	Price Chg	Short sell ratio	Notes:
291	CHINA RES ENTERP	23.30	3.33%	48%	The main short selling sector: • Consumer Goods- China Resources Enterprise (291), Esprit(330)
330	ESPRIT HLDGS	12.68	1.28%	40%	
2628	CHINA LIFE INS-H	17.38	-0.46%	35%	
2600	ALUMINUM CORP-H	3.09	-1.90%	33%	
1109	CHINA RES LAND	14.60	-0.14%	33%	
1211	BYD CO LTD-H	15.40	-0.65%	33%	
1919	CHINA COSCO HO-H	3.50	0.86%	32%	
388	HONG KONG EXCHNG	108.40	2.26%	31%	
700	TENCENT HOLDINGS	219.40	1.48%	30%	
270	GUANGDONG INVEST	5.46	3.21%	28%	
1898	CHINA COAL ENE-H	6.52	-0.76%	26%	
2238	GUANGZHOU AUTO-H	6.50	1.09%	25%	
494	LI & FUNG LTD	14.74	2.08%	25%	
902	HUANENG POWER-H	5.21	0.39%	24%	
3968	CHINA MERCH BK-H	14.64	0.97%	24%	

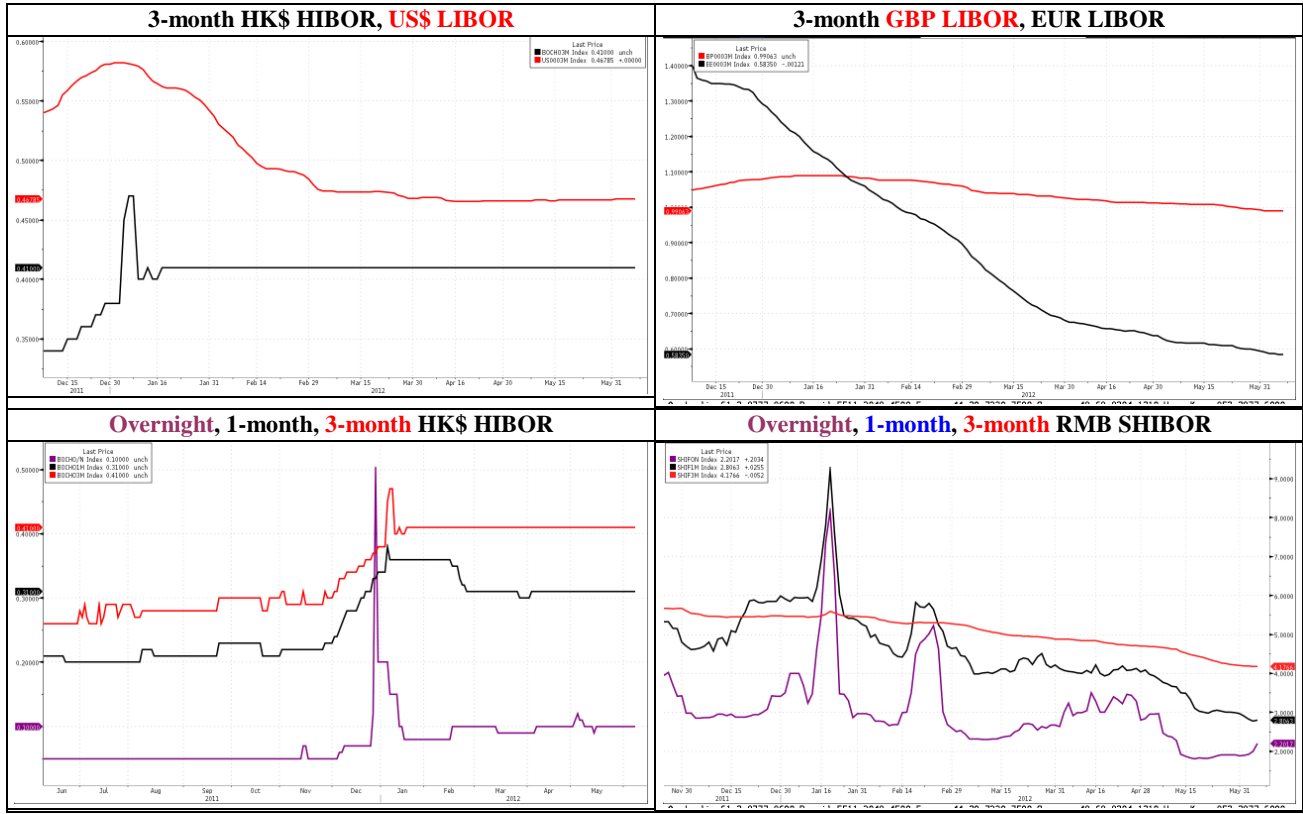
Remark: Ranked by top 15 short-selling turnover to total stock turnover ratios among Hang Seng Index, Red-chip index or H-share index. Short sell ratio = Short selling transaction value of the stock/total transaction value of the stock

Top 10 Percentage Gainers and Losers (07/06/2012)

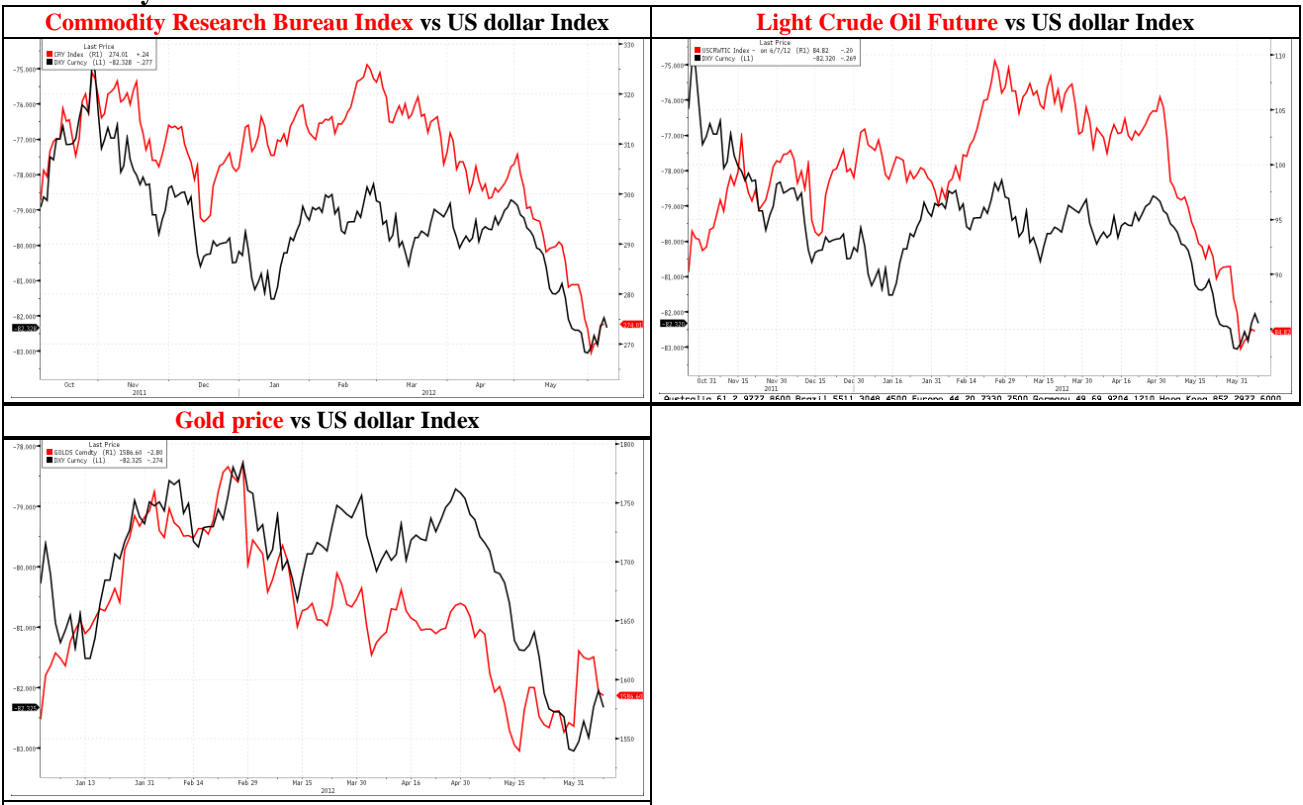
Hang Seng Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	4	WHARF HLDG	43.05	4.87%	17	NEW WORLD DEV	8.48	-1.97%	
2	1199	COSCO PAC LTD	9.32	3.56%	2600	ALUMINUM CORP-H	3.09	-1.90%	
3	291	CHINA RES ENTERP	23.30	3.33%	151	WANT WANT CHINA	9.32	-1.79%	
4	688	CHINA OVERSEAS	16.04	2.43%	1088	CHINA SHENHUA-H	24.7	-1.79%	
5	388	HONG KONG EXCHNG	108.40	2.26%	3	HONG KG CHINA GS	16.52	-1.77%	
6	5	HSBC HLDGS PLC	63.20	2.10%	83	SINO LAND CO	10.56	-1.68%	
7	494	LI & FUNG LTD	14.74	2.08%	12	HENDERSON LAND D	40.2	-0.99%	
8	1044	HENGAN INTL	74.30	2.06%	66	MTR CORP	24.85	-0.80%	
9	13	HUTCHISON WHAMPO	63.65	2.00%	1898	CHINA COAL ENE-H	6.52	-0.76%	
10	1880	BELLE INTERNATIO	12.60	1.94%	267	CITIC PACIFIC	11	-0.54%	
H-share Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	2883	CHINA OILFIELD-H	10.82	3.64%	1157	ZOOMLION HEAVY-H	10.04	-3.65%	
2	1066	SHANDONG WEIG-H	7.70	3.63%	489	DONGFENG MOTOR-H	13.08	-3.11%	
3	168	TSINGTAO BREW-H	50.95	3.35%	2338	WEICHAI POWER-H	30.80	-2.07%	
4	916	CHINA LONGYUAN-H	4.97	3.33%	2600	ALUMINUM CORP-H	3.09	-1.90%	
5	1099	SINOPHARM-H	18.04	2.73%	1088	CHINA SHENHUA-H	24.70	-1.79%	
6	998	CHINA CITIC BK-H	4.03	2.54%	2899	ZIJIN MINING-H	2.76	-1.78%	
7	1800	CHINA COM CONS-H	7.10	2.31%	3323	CHINA NATL BDG-H	8.89	-1.77%	
8	2328	PICC PROPERTY &	8.29	1.97%	914	ANHUI CONCH-H	22.60	-1.53%	
9	857	PETROCHINA CO-H	10.04	1.52%	358	JIANGXI COPPER-H	16.02	-0.87%	
10	2238	GUANGZHOU AUTO-H	6.50	1.09%	1898	CHINA COAL ENE-H	6.52	-0.76%	
Red-chip Index stocks									
Top 10 percent gain stocks					Top 10 percent loss stocks				
Rank	Code	Stock	Price (HK\$)	Change	Code	Stock	Price (HK\$)	Change	
1	1199	COSCO PAC LTD	9.32	3.56%	3360	FAR EAST HORIZON	5.30	-1.30%	
2	966	CHINA TAIPING IN	12.28	3.37%	123	YUEXIU PROPERTY	1.83	-1.08%	
3	291	CHINA RES ENTERP	23.30	3.33%	297	SINOFERT HOLDING	1.15	-0.86%	
4	992	LENOVO GROUP LTD	6.90	3.14%	606	CHINA AGRI-INDUS	5.25	-0.76%	
5	688	CHINA OVERSEAS	16.04	2.43%	267	CITIC PACIFIC	11.00	-0.54%	
6	883	CNOOC LTD	14.04	1.89%	941	CHINA MOBILE	78.55	-0.51%	
7	363	SHANG INDUS HLDG	21.40	1.66%	392	BEIJING ENTERPRI	42.80	-0.47%	
8	119	POLY HONG KONG	3.55	1.43%	836	CHINA RES POWER	14.20	-0.42%	
9	270	GUANGDONG INVEST	5.46	1.11%	1109	CHINA RES LAND	14.60	-0.14%	
10	144	CHINA MERCHANT	21.65	0.93%					

Source: Bloomberg

Interest Rates Monitor



Commodity Monitor



Source: Bloomberg

Appendix: H-Share and A-share Price Comparison Table (07/06/2012)

H-share Code	A-share Code	Stock Name	H-share		A-share		H-share premium		2011 PER	2012 PER	2013 PER	2011 P/B
			Price (HK\$)	price chg (%)	Price (RMB)	price chg (%)	(discount) to A-share					
939	601939	CCB	5.50	0.7%	4.49	0.0%	0.5%	6.63	6.12	5.46	1.39	
1398	601398	ICBC	4.48	0.2%	4.19	-0.2%	-12.3%	6.23	5.55	4.99	1.34	
1288	601288	ABC	3.16	0.6%	2.63	-0.4%	-1.5%	6.32	5.54	4.87	1.21	
3988	601988	BANK OF CHINA	2.85	0.7%	3.01	-0.3%	-22.3%	5.23	4.93	4.57	0.90	
3328	601328	BANKCOMM	5.12	0.4%	4.56	-0.9%	-7.9%	5.12	4.89	4.63	0.96	
3968	600036	CM BANK	14.64	1.0%	11.25	-3.7%	6.7%	7.19	6.66	6.05	1.57	
998	601998	CITIC BANK	4.03	2.5%	4.10	-1.2%	-19.4%	4.66	4.60	4.21	0.89	
1988	600016	MINSHENG BANK	7.33	0.5%	6.31	0.3%	-4.7%	5.21	5.26	4.75	1.16	
2628	601628	CHINA LIFE	17.38	-0.5%	16.66	-1.8%	-14.4%	21.93	14.68	11.82	2.10	
2318	601318	PING AN	55.95	0.2%	41.08	0.2%	11.7%	18.22	13.89	11.58	2.78	
2601	601601	CPIC	22.00	0.2%	19.88	-1.0%	-9.2%	18.60	14.72	12.02	2.02	
1336	601336	NEW CHINA LIFE	30.00	0.3%	30.45	0.2%	-19.2%	19.84	20.54	16.66	2.45	
6030	600030	CITIC SEC	14.80	3.6%	13.15	0.4%	-7.7%	9.87	21.37	17.00	1.54	
6837	600837	HAITONG SEC	10.10	2.0%	10.14	0.4%	-18.3%	-	19.22	15.81	-	
857	601857	PETROCHINA	10.04	1.5%	9.13	-2.1%	-9.8%	11.28	9.58	8.71	1.50	
386	600028	SINOPEC CORP	7.02	0.4%	6.48	-0.3%	-11.1%	6.82	6.57	6.08	1.06	
338	600688	SHANGHAI PEICHEM	2.18	-0.5%	5.93	0.3%	-69.8%	13.44	10.97	6.85	0.72	
1033	600871	YIZHENG CHEM	1.56	0.0%	6.93	0.3%	-81.5%	6.09	7.53	7.11	0.57	
2883	601808	CHINA OILFIELD	10.82	3.6%	16.71	0.7%	-46.9%	9.89	8.57	7.64	1.40	
568	002490	SHANDONG MOLONG	2.54	-0.4%	15.33	5.4%	-86.4%	9.92	-	-	0.62	
1088	601088	SHENHUA ENERGY	24.70	-1.8%	24.83	-0.8%	-18.4%	9.00	8.23	7.36	1.78	
1898	601898	CHINA COAL	6.52	-0.8%	8.75	0.3%	-38.9%	7.03	6.66	5.78	0.87	
1171	600188	YANZHOU COAL	11.90	0.7%	21.16	-1.4%	-53.9%	5.48	5.84	5.41	1.14	
902	600011	HUANENG POWER	5.21	0.4%	6.05	-1.6%	-29.4%	51.16	12.72	11.22	1.18	
991	601991	DATANG POWER	2.90	-0.3%	5.32	1.5%	-55.3%	15.57	10.25	8.35	0.81	
1071	600027	HUADIAN POWER	1.84	0.5%	3.46	-0.3%	-56.4%	137.20	8.93	7.29	0.63	
670	600115	CHINA EAST AIR	2.31	0.0%	4.10	-1.2%	-53.8%	4.69	6.36	5.29	1.06	
1055	600029	CHINA SOUTH AIR	3.48	0.0%	4.68	0.0%	-39.0%	5.49	8.35	7.39	0.87	
753	601111	AIR CHINA	4.74	-0.2%	6.21	-0.5%	-37.4%	6.43	8.66	7.39	1.09	
1800	601800	CHINA COMM CONS	7.10	2.3%	5.15	-1.0%	13.1%	7.37	7.33	6.45	1.23	
390	601390	CHINA RAILWAY	2.88	0.0%	2.63	-1.1%	-10.2%	7.52	7.67	6.87	0.70	
1186	601186	CHINA RAIL CONS	5.73	-0.5%	4.33	-1.1%	8.5%	7.34	7.87	7.10	0.90	
1766	601766	CSR	5.59	0.4%	4.77	-0.2%	-3.9%	14.06	14.06	11.91	2.41	
525	601333	GUANGSHEN RAIL	2.55	1.6%	3.12	-1.0%	-33.0%	8.37	9.42	8.47	0.58	
177	600377	JIANGSU EXPRESS	7.30	1.7%	5.95	-0.5%	0.6%	12.42	11.63	10.64	1.66	
548	600548	SHENZHEN EXPRESS	2.97	3.1%	3.90	-0.8%	-37.5%	6.08	7.10	6.57	0.58	
995	600012	ANHUI EXPRESSWAY	3.39	1.2%	4.33	-0.5%	-35.8%	5.43	5.45	5.18	0.72	
107	601107	SICHUAN EXPRESS	2.80	1.1%	3.68	-0.3%	-37.6%	5.39	5.56	5.44	0.75	
895	002672	DONGJIANG	30.50	0.3%	53.00	-0.0%	-52.8%	21.24	13.38	11.35	4.68	
1065	600874	TIANJIN CAPITAL	1.87	0.5%	5.54	0.2%	-72.3%	7.79	8.76	9.30	0.61	
1211	002594	BYD COMPANY	15.40	-0.6%	22.81	-1.6%	-44.6%	21.37	23.22	17.30	1.41	
2238	601238	GUANGZHOU AUTO	6.50	1.1%	7.69	-0.6%	-30.7%	7.67	7.50	6.29	1.12	
2333	601633	GREATWALL MOTOR	16.06	-1.1%	16.68	-2.1%	-21.0%	10.80	9.36	8.42	3.21	
2338	000338	WEICHAI POWER	30.80	-2.1%	31.87	-0.6%	-20.7%	7.52	7.97	6.87	1.84	
1157	000157	ZOOMLION	10.04	-3.6%	10.58	-0.2%	-22.2%	7.84	7.29	6.34	1.79	
187	600860	BEIREN PRINTING	1.59	0.0%	-	-	-	55.19	-	-	0.73	
300	600806	JIAODA HIGHTECH	1.99	1.0%	6.28	0.2%	-74.0%	15.89	3.40	9.60	0.62	
42	000585	NE ELECTRIC	0.62	-1.6%	2.10	-0.5%	-75.8%	-	-	-	1.65	
1072	600875	DONGFANG ELEC	17.56	3.9%	21.23	-1.2%	-32.2%	9.41	8.61	8.16	2.09	
2727	600627	SH ELECTRIC	3.20	2.6%	5.38	-0.7%	-51.2%	10.30	9.34	8.47	1.15	
2208	002202	GOLDWIND	3.00	0.0%	6.99	-1.1%	-64.8%	10.70	14.56	12.68	0.52	



350	000666	JINGWEI TEXTILE	4.26	0.2%	12.30	-2.0%	-71.6%	4.31	-	-	0.62
168	600600	TSINGTAO BREW	50.95	3.3%	38.59	1.7%	8.3%	32.48	27.77	23.41	5.08
719	000756	SHANDONG XINHUA	1.85	0.5%	5.26	-0.4%	-71.2%	9.03	-	-	0.40
874	600332	GUANGZHOU PHAR	12.66	1.8%	22.91	1.1%	-54.7%	29.25	23.18	18.98	2.23
2607	601607	SH PHARMA	9.06	-1.3%	10.25	-2.1%	-27.5%	8.85	10.22	9.08	0.87
1618	601618	MCC	1.68	-0.6%	2.55	-1.2%	-46.0%	6.32	5.67	4.75	0.55
347	000898	ANGANG STEEL	4.23	-0.2%	4.02	-0.7%	-13.7%	-	-	19.60	0.49
323	600808	MAANSHAN IRON	1.76	-0.6%	2.32	-1.3%	-37.8%	160.40	37.99	10.46	0.41
1053	601005	CHONGQING IRON	1.00	-5.7%	3.15	-2.5%	-74.0%	-	-	-	0.35
2600	601600	CHALCO	3.09	-1.9%	6.60	-1.0%	-61.6%	126.72	-	43.70	0.66
358	600362	JIANGXI COPPER	16.02	-0.9%	24.71	-1.2%	-46.8%	6.92	6.79	6.70	1.16
2899	601899	ZIJIN MINING	2.76	-1.8%	4.14	-1.2%	-45.3%	8.71	7.75	7.16	1.97
914	600585	ANHUI CONCH	22.60	-1.5%	16.58	0.5%	11.8%	8.46	11.10	9.24	2.21
2009	601992	BBMG	5.63	-1.4%	7.73	-0.3%	-40.3%	5.70	5.27	4.48	0.98
588	601588	BEIJING N STAR	1.36	1.5%	2.94	2.8%	-62.1%	3.20	-	-	0.27
763	000063	ZTE	14.30	-0.7%	14.33	0.2%	-18.2%	18.05	12.17	9.65	1.67
553	600775	NANJING PANDA	1.66	-2.4%	5.99	-0.2%	-77.3%	8.10	-	-	0.56
317	600685	GUANGZHOU SHIP	5.52	0.4%	14.72	-2.5%	-69.2%	5.63	3.84	5.52	0.84
1919	601919	CHINA COSCO	3.50	0.9%	4.73	-1.0%	-39.3%	-	-	25.63	0.85
2866	601866	CSCL	1.82	1.1%	2.70	-0.7%	-44.7%	-	57.42	15.23	0.67
1138	600026	CHINA SHIP DEV	3.75	-1.8%	5.63	-0.9%	-45.4%	10.00	14.58	8.05	0.44
2880	601880	DALIAN PORT	1.71	2.4%	3.16	-4.2%	-55.6%	9.09	7.66	7.19	0.49
921	000921	HISENSE KELON	1.52	-0.7%	4.15	-0.2%	-70.0%	7.43	-	-	2.10
1108	600876	LUOYANG GLASS	1.45	0.7%	6.40	0.2%	-81.4%	14.87	-	-	5.89
1812	000488	CHENMING PAPER	3.07	1.0%	4.57	0.2%	-44.9%	8.68	6.22	4.46	0.38

Source: Bloomberg

Analyst Certification and Disclosure

Analyst Certification

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Disclosures of Interests

“Li Hong-ying, Vivian has financial interest in Evergrande Real Estate Group Limited as at 8 June 2012”.

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