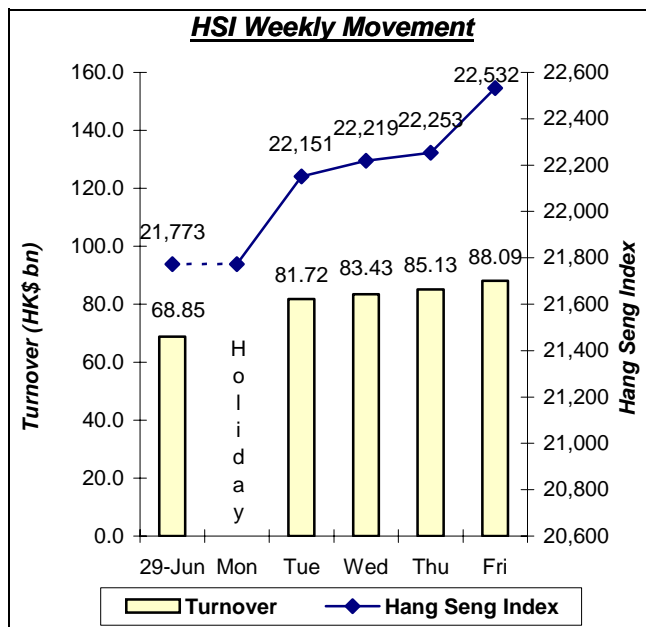


HSI and HSCEI rewrote record highs amid QDII hope



Weekly Market Statistics				
Week ended	06/07/07	29/06/07	Change	%
Hang Seng Index	22,532	21,773	+759	+3.5%
HS Red Chip Index	4,280	4,132	+148	+3.6%
HS China Enterprises Index	12,681	12,001	+680	+5.7%
HS Composite Index	3,238	3,110	+129	+4.1%
HS HK Composite Index	2,611	2,533	+78	+3.1%
HS Mainland Composite Index	4,044	3,854	+190	+4.9%
Growth Enterprise Index	1,701	1,632	+70	+4.3%
Avg Daily Turnover (HK\$ bn)	84.6	77.3	+7	+9.5%
Sectoral Indices				
Finance	34,537	33,436	+1,101	+3.3%
Utilities	35,515	35,038	+476	+1.4%
Properties	26,595	25,363	+1,233	+4.9%
Comm & Ind	12,730	12,293	+437	+3.6%

Review & Outlook of Market Performance

Hang Seng Index re-ignited its engine and set new record closing highs for 4 consecutive days, amid hope for massive capital inflows from the Mainland under the QDII scheme. The HSI rallied 759 points or 3.5% to 22,531.74, while the HSCEI (or the H-share index) added a sharp 5.7% to 12,681.44. In an opposing mood, major Mainland stock indexes fell over the week, amid worries over further monetary tightening measures as well as new policies to absorb excess liquidity from the stock market. The Shanghai Composite Index ended the week 1% lower. The index tumbled as much as 6.7% at its lowest point, before a technical rebound late on Friday helped mitigate the deficit.

Hong Kong stocks experienced a strong rally during the week, as investors hoped the up-scaled QDII scheme would trigger more capital inflows for Hong equities. Mainland mutual funds and brokerages are now allowed to apply for QDII investment quotas, while the restriction for insurance companies to invest their QDII funds in overseas equities is also expected to be removed quite soon. Meanwhile, ICBC revealed that it raised a robust RMB4.45 billion for its QDII fund named "Pearl of the Orient", with 50% of the funds to be invested in red chips and H shares in HK. The news strengthened investors' high hope on the QDII scheme in pushing up the HK stock market further. During the week, the HK-listed Mainland shares were among the winners, especially those without domestic A-share listing. China Communications Construction topped all gainers in the H-share index and jumped a stunning 24.14% w-o-w, while both PetroChina and China Construction Bank set new highs and closed up 5.90% and 8.74% w-o-w, respectively. Blue chips also performed well with HKEx reaping 14.75% gain, while both Cheung Kong and sister Hutchison added nearly 7% w-o-w.

Despite a strong rally this week, we expect near-term market sentiment to stay positive, as valuations of most big caps and index heavyweights remain reasonable. The blue chip index is seen heading north again next week, as investors should start bargaining for banking plays and property developers.

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							
6th July	13,565.84*	2,656.65*	18,140.94	3,561.96	1,373.84	776.79	9,188.31
29th June	13,535.43	2,632.30	18,138.36	3,548.20	1,354.38	776.79	8,883.21
Change	+30.41	+24.35	+2.58	+13.76	+19.46	+0.00	+305.10
%	+0.2%	+0.9%	+0.0%	+0.4%	+1.4%	+0.0%	+3.4%

Remark (*): closing as of 5th July 2007

Major Changes in Index Constituent Stocks (Week ended 6th July 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @06/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Hong Kong Exchanges and Clearing	0388	HK\$126.8	+HK\$16.3	+14.75%	HKEx rallied to record highs amid strong trading volume. Besides, investors expect volume to grow further when the Mainland authority issues more QDII quotas to Mainland institutional investors allowing them to invest in HK-listed shares.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @06/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shenhua	1088	HK\$30.55	+HK\$3.25	+11.90%	The listed Mainland coal trio – China Shenhua, Yanzhou Coal and China Coal – were among the winners in the H-share index over the week, thanks to investment upgrade by brokerage houses.
Yanzhou Coal	1171	HK\$13.46	+HK\$1.51	+12.73%	
China Coal	1898	HK\$14.26	+HK\$2.54	+21.67%	
China Communications Construction	1800	HK\$17.38	+HK\$3.38	+24.14%	CCCC rallied sharply and was the biggest gainer in the HSCEI, as investors speculated that the company would be the next one to announce plans to list A shares on the Mainland. Meanwhile, a positive report from Deutsche Bank on CCCC also helped lift its share prices.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @06/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Resources	1205	HK\$5.82	+HK\$1.01	+21.00%	The stock jumped and hit record highs, after it announced raising its stake in Macarthur Coal, an Australia-based coal miner, from 11.6% to 19.9%. Meanwhile, the counter was also supported by a market report that its parent is in talk with KKM Operating Co to acquire the Mortuk oil field for US\$250 million in Kazakhstan

Summary of US Economic News

Indicator	Change/Index	Comments
Factory orders – May 2007	-0.5% m-o-m	New factory orders fell 0.5% m-o-m in May, marking the 1 st drop in 4 months. However, it was better than consensus forecast of a 1.2% decline.
ISM non-manufacturing index – June 2007	60.7	The ISM non-manufacturing index rose 60.7 in June from 59.7 in May, beating consensus forecast of 58.0. The figure pointed to stronger growth in the US service sector, thanks to eased price pressure.
Initial jobless claims – the week ended 30 th June 2007	+2,000	Initial jobless claims surged 2,000 to 318,000 last week from an upwardly revised 316,000 in the previous week. Market expected the figure to grow from the original reading of 313,000 to 315,000.

Forthcoming Important Announcements / Events

9 th July 2007 (Monday)	HK	:	Goldbond Group (0172) – final results Imagi International (0585) – final results Mongolia Energy (0276) – final results Pacific Textile (1382) – final results Starlite (0403) – final results Vitasoy International (0345) – interim results
	US	:	Alcoa Inc – Q2 2007 results
10 th July 2007 (Tuesday)	HK	:	Alco Holdings (0328) – final results China Grand Forestry (0910) – final results Café de Coral (0341) – final results Lo's Enviro-Pro (0309) – final results Regent Manner (1997) – trading debut ANTA Sports Products (2020) – trading debut Vinda International (3331) – trading debut
	US	:	Wholesale inventories – May 2007
11 th July 2007 (Wednesday)	HK	:	Associated International Hotels (0105) – final results Golden Resources Development (0677) – final results Noble Jewelry (0475) – final results Stone Holdings (0409) – final results Tian Teck Land (0266) – final results United Power (0674) – final results
	US	:	No important announcement/ event
12 th July 2007 (Thursday)	HK	:	Asia Communications (0104) – final results Digital China (0861) – final results Fairwood Holdings (0052) – final results Hon Kwok Land (0160) – final results Peace Mark (0304) – final results Walker Group (1386) – final results New World Department Store China (0825) – trading debut China Automation (0569) – trading debut
	US	:	Initial jobless claims – the week ended 7 th July 2007 Trade balance – May 2007 Marriott International – Q2 2007 results
13 th July 2007 (Friday)	HK	:	Asia Resources (0899) – final results Chuang's International (0367) – final results Ming Pao (0685) – final results Safety Godown (0237) – final results Wah Ha Realty (0278) – final results
	US	:	Retail sales – June 2007 Business inventories – May 2007 Consumer sentiment (preliminary) – July 2007

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