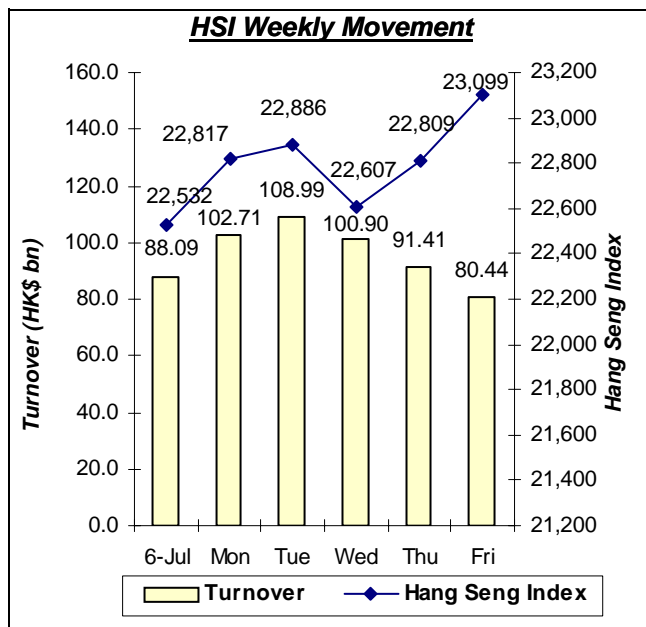


### Another week of record highs for both HSI and HSCEI



<b>Weekly Market Statistics</b>				
Week ended	13/07/07	06/07/07	Change	%
Hang Seng Index	23,099	22,532	+568	+2.5%
HS Red Chip Index	4,464	4,280	+184	+4.3%
HS China Enterprises Index	13,201	12,681	+519	+4.1%
HS Composite Index	3,328	3,238	+90	+2.8%
HS HK Composite Index	2,648	2,611	+36	+1.4%
HS Mainland Composite Index	4,197	4,044	+153	+3.8%
Growth Enterprise Index	1,716	1,701	+15	+0.9%
Avg Daily Turnover (HK\$ bn)	96.9	84.6	+12	+14.5%
<b>Sectoral Indices</b>				
Finance	35,396	34,537	+860	+2.5%
Utilities	36,510	35,515	+995	+2.8%
Properties	26,780	26,595	+185	+0.7%
Comm & Ind	13,102	12,730	+372	+2.9%

### Review & Outlook of Market Performance

The week started off with rotational buying among the local blue-chip laggards. Over the week, the HSI gained 568 points or 2.5% w-o-w to 23,099.29, while the HSCEI gained a sharp 4.1% w-o-w to 13,200.57. Trading was hectic as the average daily turnover increased to HK\$96.9 billion from last week's HK\$84.6 billion.

Thanks to the strong 1H07 earnings forecasts announced by China Merchants Bank (CMB) and ICBC, the Chinese financial stocks caught up with the rally in the HSCEI. Rising gold and copper prices also lifted commodities plays. However, profit-taking kicked in on Wednesday when the US equities slid on resurfaced worries on the sub-prime mortgages. This timely correction provided a good buying opportunity to ambitious investors to see the HSI re-challenging the 23,000 level.

On strong rebound of the US equities, the HSI broke through the 23,000 level and touched an intra-day high of 23,239.92 on Friday. Meanwhile, China's record high trade surplus, rapid growth in M2 money supply and the upward revision of 2006 GDP growth rate announced during the week all pointed to a red-hot economy flushed with ample cash. Investors worried that this could pressure the government to take tightening steps earlier than expected. Mainland insurers continued the rally on the expectation of the insurance QDII as well as rumours that they are allowed to double investment of assets in A-shares to 10%. China Mobile rallied 6.36% w-o-w thanks to a series of upgrades by several brokerages.

The week ahead will be heavily news-driven as we enter into the US results announcement season and a number of China's 2Q and June economic data (GDP, CPI, PPI, urban FAI etc.) are due for announcement. The near-term market sentiment stays positive but cautious ahead of these important data. We see the HSI to consolidate around the 23,000 level as investors await news of the upcoming interim results announcements for further directions.



### 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							
13th July	13,861.73*	2,701.73*	18,238.95	3,654.61	1,384.72	859.14	9,471.30
6th July	13,611.68	2,666.51	18,140.94	3,561.96	1,373.84	776.79	9,188.31
Change	+250.05	+35.22	+98.01	+92.65	+10.88	+82.35	+282.99
%	+1.8%	+1.3%	+0.5%	+2.6%	+0.8%	+10.6%	+3.1%

Remark (\*): closing as of 12<sup>th</sup> July 2007

### Major Changes in Index Constituent Stocks (Week ended 13<sup>th</sup> July 2007)

#### Hang Seng Index (HIS)

Stock	Stock Code	Closing Price @13/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
HK & China Gas	0003	HK\$18.96	+HK\$2.12	+12.59%	The counter rose to all-time high of HK\$19.18 on purchase of the shares by the controlling stake owner over the past few weeks.
China Mobile	0941	HK\$91.95	+HK\$5.50	+6.36%	The counter was upgraded by Citigroup to Buy from Hold with a new price target of HK\$115. JPMorgan also lifted the share price target to HK\$97.
ICBC	1398	HK\$4.78	+HK\$0.17	+3.69%	The company expected to post more than 50% growth in its 1H07 net profit in accordance to the PRC GAAP due in part to increases in lending and non-interest income.

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

Stock	Stock Code	Closing Price @13/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Bank	3968	HK\$28.15	+HK\$3.75	+15.37%	The company expected to post a more than 100% growth in its net profit for the 1H07 in accordance with Chinese accounting standard on rapidly-expanding core business.
Dongfeng Motor Group	0489	HK\$4.80	+HK\$0.62	+14.83%	The counter surged on investment upgrades by brokerages: UBS upgraded the stock to Buy from Neutral on an improving outlook and Lehman Brothers began coverage of the stock with an Overweight rating and a 12-month target price of HK\$5.20.

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

Stock	Stock Code	Closing Price @13/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance International Holdings	0966	HK\$17.10	+HK\$2.98	+21.10%	The counter rose after Credit Suisse initiated coverage with an Outperform rating citing that CIH, as a unique multi-line insurer with a strong track record in reinsurance, is still at attractive valuation.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Wholesale inventories – May 2007	+0.5%	The market had expected a 0.4% increase after rising 0.3% in the previous month.
Trade balance – May 2007	2.3%	The deficit for May rose to \$60.04 billion, up by 2.3% from April and reflected higher prices for oil and a continued appetite for Chinese goods.
Initial jobless claims – the week ended 7 <sup>th</sup> July 2007	-12,000	Initial jobless claims fell 12,000 to 308,000 last week. Market expected the figure to fall from the original reading of 320,000 to 315,000.

**Forthcoming Important Announcements / Events**

16 <sup>th</sup> July 2007 (Monday)	HK	:	Moiselle International (0130) – final results Texwinca Holdings (0321) – final results Ngai Lik Industrial (0332) – final results Bauhaus International (0483) – final results Emperor Capital (0717) – final results Modern Beauty (0919) – final results Lee & Man Paper (2314) – final results <b>Fosun International (0656) – trading debut</b>
	US	:	Times Ltd (1832) – trading debut Eaton Corp – Q2 2007 results Mattel Inc – Q2 2007 results
17 <sup>th</sup> July 2007 (Tuesday)	HK	:	Chen Hsong Holdings (0057) – final results Suga International (0912) – final results
	US	:	Core PPI – June 2007 Industrial Production – June 2007 <b>Coca-Cola Co. – Q2 2007 results</b> <b>Johnson &amp; Johnson – Q2 2007 results</b> <b>Merrill Lynch &amp; Co Inc. – Q2 2007 results</b> <b>State Street Corp. – Q2 2007 results</b> <b>Yahoo Inc. – Q2 2007 results</b>
18 <sup>th</sup> July 2007 (Wednesday)	HK	:	Asia Standard International (0129) – final results Emperor International Holdings (0163) – final results <b>Chevalier International (0025) – final results</b> Chevalier Pacific Holdings (0508) – final results Hang Fung Gold (0870) – final results Wang On Group (1222) – final results
	US	:	<b>Core CPI – June 2007</b> Housing Starts – June 2007 Abbott Laboratories – Q2 2007 results Altria Group Inc. – Q2 2007 results eBay Inc. – Q2 2007 results <b>JPMorgan Chase &amp; Co. – Q2 2007 results</b> <b>Pfizer Inc. – Q2 2007 results</b>
19 <sup>th</sup> July 2007 (Thursday)	HK	:	Yau Lee Holdings (0406) – final results New Century Group (0234) – final results
	US	:	Initial jobless claims – the week ended 14 <sup>th</sup> July 2007 Leading Indicators – June 2007 FMO Minutes – June 28 Meeting <b>Bank of America Corp – Q2 2007 results</b> <b>Google Inc. – Q2 2007 results</b> <b>Microsoft Corp. – Q2 2007 results</b>
20 <sup>th</sup> July 2007 (Friday)	HK	:	China Gas Holdings (0384) – final results Kin Yat Holdings (0638) – final results Chun Wo Holdings (0711) – final results Jiwa Bio-Pharm Holdings (2327) – final results HSBC Dragon Fund (0820) – trading debut
	US	:	Caterpillar Inc. – Q2 2007 results <b>Citigroup Inc. – Q2 2007 results</b> Wachovia Corp. – Q2 2007 results

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