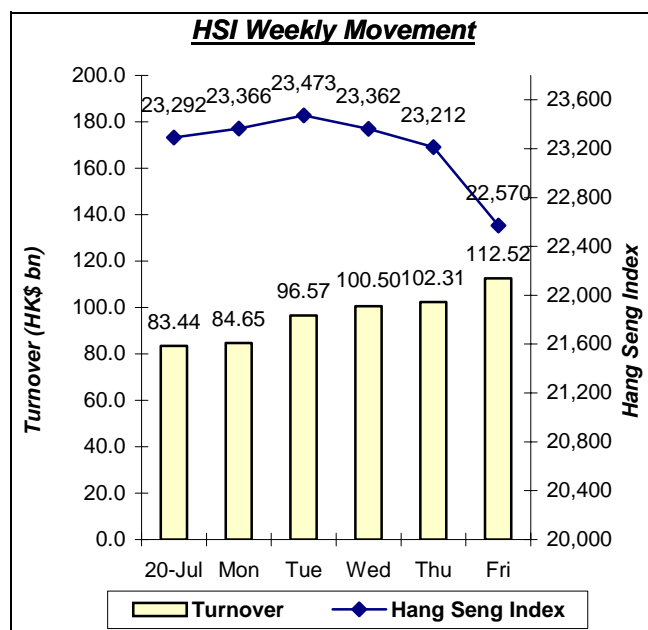


## US subprime mortgage woes triggered sell-off



<b>Weekly Market Statistics</b>				
Week ended	27/07/07	20/07/07	Change	%
Hang Seng Index	22,570	23,292	-721	-3.1%
HS Red Chip Index	4,353	4,553	-200	-4.4%
HS China Enterprises Index	12,926	13,152	-226	-1.7%
HS Composite Index	3,271	3,374	-104	-3.1%
HS HK Composite Index	2,611	2,679	-68	-2.6%
HS Mainland Composite Index	4,114	4,261	-147	-3.5%
Growth Enterprise Index	1,756	1,767	-11	-0.6%
Avg Daily Turnover (HK\$ bn)	99.3	78.4	+21	+26.6%
<b>Sectoral Indices</b>				
Finance	34,798	35,593	-795	-2.2%
Utilities	35,923	36,772	-850	-2.3%
Properties	26,548	27,396	-847	-3.1%
Comm & Ind	12,696	13,202	-505	-3.8%

## Review & Outlook of Market Performance

Hong Kong shares experienced a bumpy ride during the week. Both the HSI and the HSCEI set new highs on Thursday, supported by gains in Mainland insurance giant China Life upon announcement of further liberalization of the QDII scheme for PRC insurers. However, a slump in the US stock market on deepened subprime woes triggered a global equities sell-off and pressed Hong Kong shares sharply lower on Friday. Over the week, the blue chip index plunged 3.1% to 22,570.41, while the H-share index fell 1.7% to 12,926.43. Market turnover surged to a daily average of HK\$99.3 billion, driven by strong volume towards the weekend. In fact, market activities on the HK bourse this Friday, in terms of money turnover, marked the second busiest ever.

Domestic insurance giant China Life hit record high on Thursday, after the China Insurance Regulatory Commission (CIRC) said to allow domestic insurers invest more of their assets in overseas markets and make direct equity investment, in order to improve the overall investment yield. It helped lift the HSI and the HSCEI to new highs at 23,557.74 and 13,593.29, respectively. However, the gains failed to sustain, as investors rushed to dump shares after US' Thursday plunge and a global sell-off. HSBC Holdings, with a significant business presence in the US, fell 2.9% w-o-w to HK\$141.1 – a 3<sup>1</sup>/<sub>2</sub>-month low. Meanwhile, profit taking also hurt recent stars like Cheung Kong (-5.6% w-o-w), Hutchison (-5.9% w-o-w), China Construction Bank (-5.5% w-o-w), and China Mobile (-4.1% w-o-w). In contrast, Angang Steel and China COSCO ended the week with gains of 23.7% and 17.9%, respectively, thanks to re-rating by brokerage houses. Airlines were also among the winners, after Air China revealed that its first-half earnings based on PRC reporting standards would jump by more than 20 times. Air China rallied 11.5% w-o-w, while its strategic partner Cathay Pacific was up by 8.0%.

The HK earnings season will kick start next week, with HSBC and Hang Seng Bank releasing their interim results on next Monday. HSBC is to be in spotlight, as investors will keep close eyes on how it has been hurt by the US subprime woes. The Bank of East Asia will also report its results on Thursday, with its Mainland expansion in focus. Next week, the HSI should look for the performance of the overseas market on Friday night for direction.

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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							
27th July	13,473.57*	2,599.34*	17,283.81	3,492.70	1,355.38	863.58	9,162.28
20th July	13,851.08	2,687.60	18,157.93	3,651.38	1,382.36	850.54	9,585.90
Change	-377.51	-88.26	-874.12	-158.68	-26.98	+13.04	-423.62
%	-2.7%	-3.3%	-4.8%	-4.3%	-2.0%	+1.5%	-4.4%

Remark (\*): closing as of 26<sup>th</sup> July 2007

### Major Changes in Index Constituent Stocks (Week ended 27<sup>th</sup> July 2007)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @27/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific Airways	0293	HK\$20.75	+HK\$1.53	+7.96%	Cathay mainly gained on bargain hunting. Besides, the news that Air China recorded a jump in profit during the first half, of which it owns a 17.32% stake, also supported its share prices.

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

Stock	Stock Code	Closing Price @27/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$6.80	+HK\$0.70	+11.48%	The Mainland flag air carrier said in a statement that it expects its first-half profit should grow by at least 20 times y-o-y based on PRC accounting standards. Air China said the rise was driven by strong traffic volume as well as RMB appreciation. Meanwhile, market watchers also noted that the jump in profit should also be partly affected by changes in domestic accounting standards over the year. The company is scheduled to release its interim results by the end of August.
China COSCO Holdings	1919	HK\$13.58	+HK\$2.06	+17.88%	The shipping liner revealed that it is in talk with parent company for a possible private issue of new A shares. The market expects the company would use the proceeds to help finance the acquisition of the parent's bulk carrier fleet.

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

Stock	Stock Code	Closing Price @27/07/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen Investment	0604	HK\$6.31	+HK\$0.20	+3.27%	Shenzhen Investment placed 200 million new shares at HK\$6.56, representing 6.3% of the enlarged share capital. It raised net proceeds of HK\$1.284 billion, which would be used for acquisition of land bank and property development.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Existing home sales – June 2007	-3.8%	Existing home sales fell to an annual rate of 5.75 million units in June from 5.98 million units in May, below consensus forecast of 5.9 million units. It was also the lowest since November 2002
New home sales – June 2007	-6.6%	New home sales fell to an annual rate of 834,000 units in June, down 6.6% from that of 893,000 units in May, weaker than consensus forecast of an annual rate of 900,000 units.
Initial jobless claims – the week ended 21 <sup>st</sup> July 2007	-2,000	Initial jobless claims fell 2,000 to 301,000 last week, bucking market expectations of a rise to 310,000. It marked the lowest level since the week ended 12 <sup>th</sup> May.

**Forthcoming Important Announcements / Events**

30 <sup>th</sup> July 2007 (Monday)	HK	:	A-Max Holdings (0959) – final results ASM Pacific Technology (0522) – interim results China Properties Group (1838) – interim results Clear Media (0100) – interim results Extrawell Pharmaceutical (0858) – final results <b>Hang Seng Bank (0011) – interim results</b> <b>HSBC Holdings (0005) – interim results</b> J.I.C. Tech (0987) – interim results Linfair Holdings (0462) – interim results Nam Tai EEP (2633) – interim results Orient Resources Group (0467) – final results
	US	:	<b>Sun Microsystems – Q4 FY2006/07 results</b>
31 <sup>st</sup> July 2007 (Tuesday)	HK	:	<b>Retail sales – July 2007</b> China Conservational Power (0290) – final results Shanghai Qingpu (8115) – final results Tan Chong International (0693) – interim results
	US	:	Personal income and spending – June 2007 <b>Consumer confidence – July 2007</b> <b>General Motors Corp. – Q2 2007 results</b>
1 <sup>st</sup> August 2007 (Wednesday)	HK	:	No important announcement/event
	US	:	ISM manufacturing index – July 2007 Starbucks – Q3 FY2006/07 results <b>Times Warner Inc. – Q2 2007 results</b> <b>Walt Disney – Q3 FY2006/07 results</b>
2 <sup>nd</sup> August 2007 (Thursday)	HK	:	<b>The Bank of East Asia (0023) – interim results</b> Chi Cheung (0112) – interim results CITIC 1616 (1883) – interim results CR Asia (8052) – interim results G-Prop (0286) – interim results NCM Holdings (8085) – interim results Northeast Tiger (8197) – interim results
	US	:	Initial jobless claims – the week ended 28 <sup>th</sup> July 2007 Factory orders – June 2007 International Paper Co. – Q2 2007 results Viacom – Q2 2007 results
3 <sup>rd</sup> August 2007 (Friday)	HK	:	A & K Education (8053) – interim results China Primary Resources (8117) – interim results Chinese Estates Holdings (0127) – interim results Global Solution Engineering (8192) – interim results New City (China) (0456) – interim results OOIL (0316) – interim results Shenyin Wanguo (0218) interim results
	US	:	<b>Non-farm payrolls and jobless rate – July 2007</b> ISM non-manufacturing index – July 2007 Procter & Gamble Q4 FY2006/07 results

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