



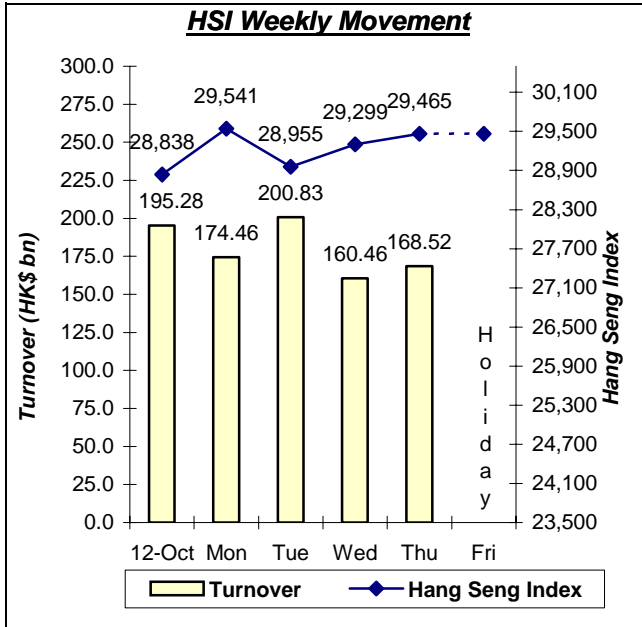
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Weekly Report

18th October 2007

HSI hit 30,000 during intraday but failed to hold



Weekly Market Statistics				
Week ended	18/10/07	12/10/07	Change	%
Hang Seng Index	29,465	28,838	+627	+2.2%
HS Red Chip Index	6,495	6,054	+440	+7.3%
HS China Enterprises Index	19,722	19,081	+641	+3.4%
HS Composite Index	4,234	4,148	+87	+2.1%
HS HK Composite Index	2,942	2,955	-12	-0.4%
HS Mainland Composite Index	5,814	5,616	+199	+3.5%
Growth Enterprise Index	1,509	1,543	-34	-2.2%
Avg Daily Turnover (HK\$ bn)	176.1	162.2	+14	+8.6%
Sectoral Indices				
Finance	45,070	44,756	+313	+0.7%
Utilities	36,671	36,590	+81	+0.2%
Properties	32,992	33,343	-350	-1.1%
Comm & Ind	17,371	16,558	+813	+4.9%

Review & Outlook of Market Performance

Hong Kong equities stayed volatile and traded in quite wide a range during the week, amid robust market liquidity. Major stock indexes surged to new highs, thanks to a strong land auction result, favourable profit guidance and operating figures from H-share companies as well as news that the Chinese authorities are in the process of studying the A-H share swap plans. The HSI gained 2.2% w-o-w to 29,465.05 after hitting a record high at 30,025.07 on Thursday, while the HSCEI rose 3.4% to 19,722.38 after touching a new high at 20,516.85.

The Mainland oil trio were the stars during the week, after bellwether PetroChina released its Q3 operating results. The oil giant's production accelerated during Q3 2007, which helped trigger a strong run in its share prices. PetroChina gained a sharp 13.84% w-o-w after hitting an all-time high at HK\$20, while Sinopec and CNOOC rose 7.54% and 6.20%, respectively. Property developers underperformed, despite stunning results from the government land auction on Monday. Two residential sites (one in Aberdeen and the other in Cheung Sha, Lantau Island) were sold at much higher-than-expected prices, showing strong confidence among HK developers. Over the week, the HS Property sub-index fell 1% on mixed movement among property counters.

Meanwhile, comments from PRC government officials and management of H-share companies amid the 17th Communist Party Congress also drew much market attentions. PBOC chief Zhou said the "HK-through train" investment scheme is still at preparatory stage and there is no definite timetable for launching the pilot programme. Also at the sideline of the Congress, CSRC vice chairman Tu revealed that the Mainland and HK regulators have held talks on a possible A-H share swap mechanism. Both comments further added volatility to the HK stock market, especially those H shares.

HK equities are expected to stay volatile, as the Mainland will release its Sept economic data next week. The HSI is expected to consolidate near 28,000 to 28,500. However, the downside is seen well supported, as we may see some earnings re-rating in H-share companies following their Q3 results announcements due in the next couple of weeks.

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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							
19th October	13,892.54*	2,792.67*	17,106.09 [^]	3,809.69 [^]	1,376.32 [^]	876.75 [^]	9,637.07 [^]
12th October	14,093.08	2,805.68	17,331.17	3,857.25	1,375.25	887.02	9,496.47
Change	-200.54	-13.01	-225.08	-47.56	+1.07	-10.27	+140.60
%	-1.4%	-0.5%	-1.3%	-1.2%	+0.1%	-1.2%	+1.5%

Remarks: (*) closing as of 17th October 2007, (^) closing as of 18th October 2007

Major Changes in Index Constituent Stocks (Week ended 18th October 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @18/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$12.26	+HK\$0.86	+7.54%	Investors bought the counter as a catch up after PetroChina rally to its record high on less-demanding valuation when compared with other H shares.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$18.92	+HK\$2.30	+13.84%	PetroChina said its oil and gas output for the first three quarters (Jan-Sep) grew 4.3% y-o-y to 828.1 million BOEs. It implied that output growth accelerated to 5.6% in Q3 2007, compared with a sluggish 3.7% during 1H2007. During Q1-Q3, PetroChina realized an average crude oil selling price of US\$60.94 per barrel, down 0.9% y-o-y, while that of natural gas surged 4.1% y-o-y to US\$2.55/kcf.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinofert Holdings	0297	HK\$6.74	+HK\$0.77	+12.90%	Sinofert jumped sharply after it agreed to acquire its parent's entire 18.49% stake in Qinghai Salt Lake Potash (QSLP) for RMB6.74 billion. The consideration represented a discount of 22.7% when compared with the latest market close of QSLP shares.

Summary of US Economic News

Indicator	Change/Index	Comments
Industrial production – September 2007	-0.1% m-o-m	Industrial production dropped 0.1% in Sep. Economists said a short strike at General Motors was the reason for the slower output. Industrial output for August was revised down from a growth of 0.2% to stay flat.
Consumer price index – September 2007	+0.3% m-o-m	CPI rose 0.3% in Sep, led by higher energy and food costs. The rise in Sep CPI marked the highest pace in 4 months. So far this year, CPI rose at an annualized rate of 3.6%, compared with 2.5% in 2006. Excluding energy and food prices, the core CPI rose 0.2% last month, largely in line with consensus forecast.
Housing starts – September 2007	-10%	US housing starts tumbled 10% to an annualized rate of 1.19 million units in Sep, much worse than market expectations of 1.29 million units.

Forthcoming Important Announcements / Events

22 nd October 2007 (Monday)	HK	: Consumer price index – September 2007 China Shipping Development (1138) – Q3 results Ta Yang Group (1991) – final results
	US	: American Express Company - Q3 FY2007 results Merck & Co., Inc. – Q3 FY2007 results Texas Instruments – Q3 FY2007 results
23 rd October 2007 (Tuesday)	HK	: CLP Holdings (0002) – Q3 interim dividends Tsingtao Brewery (0168) – Q3 results Huaneng Power International (0902) – Q3 results
	US	: Amazon.com, Inc. – Q3 FY2007 results AT&T – Q3 FY2007 results DuPont – Q3 FY2007 results
24 th October 2007 (Wednesday)	HK	: Continental Holdings (0513) – final results Sinotronics Holdings (1195) – final results
	US	: Existing home sales – September 2007 Coca-Cola Enterprises Inc. – Q3 FY2007 results ConocoPhillips – Q3 FY2007 results Merrill Lynch – Q3 FY2007 results The Boeing Company – Q3 FY2007 results
25 th October 2007 (Thursday)	HK	: External trade – September 2007 Guangshen Railway (0525) – Q3 results Shandong Xinhua Pharmaceutical (0719) – Q3 results ZTE Corporation (0763) – Q3 results Datang International Power Generation (0991) – Q3 results China Agrotech Holdings (1073) – final results
	US	: Durable goods orders – September 2007 Initial jobless claims – the week ended 20 th October 2007 New home sales – September 2007 L-3 Communications Holdings – Q3 FY2007 results Microsoft – Q1 FY2007/08 results Motorola Inc. – Q3 FY2007 results The Dow Chemical Company – Q3 FY2007 results
26 th October 2007 (Friday)	HK	: EganaGoldpfeil (Holdings) (0048) – final results Shanghai Petrochemical (0338) – Q3 results Shenzhen Expressway (0548) – Q3 results China Unicom (0762) – Q3 results
	US	: Consumer sentiments (revised) – October 2007



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