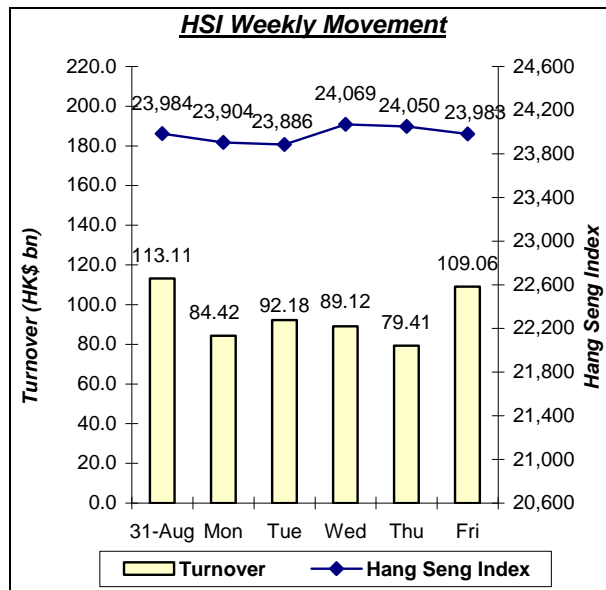


HSI consolidates near 24,000



Weekly Market Statistics				
Week ended	07/09/07	31/08/07	Change	%
Hang Seng Index	23,983	23,984	-2	-0.0%
HS Red Chip Index	4,748	4,857	-109	-2.2%
HS China Enterprises Index	14,489	14,339	+151	+1.1%
HS Composite Index	3,498	3,467	+31	+0.9%
HS HK Composite Index	2,641	2,605	+36	+1.4%
HS Mainland Composite Index	4,573	4,547	+26	+0.6%
Growth Enterprise Index	1,491	1,507	-16	-1.0%
Avg Daily Turnover (HK\$ bn)	90.8	112.5	-22	-19.3%
Sectoral Indices				
Finance	36,983	36,686	+298	+0.8%
Utilities	36,969	36,298	+671	+1.8%
Properties	28,372	27,757	+615	+2.2%
Comm & Ind	13,503	13,687	-184	-1.3%

Review & Outlook of Market Performance

The Hang Seng Index consolidated near 24,000 during the week, as investors held back their wishful expectations of short-term funds inflow from the Mainland after the Chinese authorities said the plan allowing Chinese residents to make direct HK equities investment would still take some time to fine tune before the official launch. In fact, both the HSI and the HSCEI had hit new record highs (HSI: 24,283.15, HSCEI: 14,606.21) on Wednesday, supported by property plays amid hope for a rate cut in the US as well as speculative buyings in those H shares pending for a domestic A-share listing. Nonetheless, as the direct HK equities investment scheme or the so-called "HK through train" scheme was delayed, profit taking kicked in and limited the upside of the stock indexes. Over the week, the HSI was virtually flat at 23,982.61, while the HSCEI gained 1.1% to a new closing high at 14,489.40.

Stock performances during the week were mixed indeed. The delay of the "HK through train" scheme led to some profit taking on H shares and red chips. Nonetheless, HKEx still jumped 10.1% w-o-w after hitting a new high at HK\$158.7, as the newly introduced policy is seen boosting the local bourse's trading volume in the long run. Hope for a rate cut during the next FOMC meeting (scheduled on Sep 18) lifted HK property-related counters, while Mainland banking plays surged despite the People's Bank of China's decision to raise the reserve requirement ratio effective Sep 25 by another 0.5 percentage point – the 7th hike so far this year. Meanwhile, some asset injection and M&A news also triggered strong rally in selected counters. China COSCO rallied 26.0% w-o-w after it said it would acquire the dry bulk fleet from its parent. MTRC jumped 12.8% w-o-w, after brokerage houses upgraded the stock following the latest update on the proposed merger with KCRC. China Mobile, having set a new high at HK\$107.3 during the week, tumbled 4.7% w-o-w to close the week at HK\$101, mainly dragged by the new weighting cap in the HSI upon the index rebalancing on Friday.

The Mainland will release the latest set of economic data next week. The closely watched August CPI is expected to grow by 5.9% after a 5.6% rise in July. Meanwhile, Hong Kong equities may stay range-bound amid consolidation. But we see limited downside risk, as share prices should be supported by continued QDII funds inflow and the upcoming launch of the "HK through train" scheme.

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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							
7th September	13,363.35*	2,614.32*	16,122.16	3,488.97	1,304.90	801.46	9,018.08
31st August	13,357.74	2,596.36	16,569.09	3,392.91	1,273.93	813.21	8,982.16
Change	+5.61	+17.96	-446.93	+96.06	+30.97	-11.75	+35.92
%	+0.0%	+0.7%	-2.7%	+2.8%	+2.4%	-1.4%	+0.4%

Remark (*): closing as of 6th September 2007

Major Changes in Index Constituent Stocks (Week ended 7th September 2007)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @07/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
MTRC	0066	HK\$21.40	+HK\$2.42	+12.75%	Shares of MTRC rallied sharply during the week, thanks to re-rating by brokerage houses. Analysts pointed that the proposed merger with KCRC will name the Company as the largest listed property developer (second to the HKSAR government) in the territory. The fare adjustment mechanism (FAM) will also enable MTRC to benefit from the inflationary environment in coming years.

Hang Seng China Enterprises Index (HSCFI)

Stock	Stock Code	Closing Price @07/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China COSCO Holdings	1919	HK\$22.95	+HK\$4.73	+25.96%	China COSCO hit fresh all-time highs during the week, after it revealed the plan acquiring the dry bulk carrier fleet from its parent for RMB34.6 billion. China COSCO plans to issue no more than 1.30 billion A shares at RMB18.49 each to help partly finance the purchase. The purchase will boost China COSCO's total fleet size to 556 vessels from 144 vessels, with its total capacity rising to 37.70 million DWT from 5.68 million DWT.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @07/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Power International	2380	HK\$3.93	HK\$0.07	+1.81%	China Power reported a 77.3% y-o-y drop in first-half earnings to RMB69.6 million, mainly due to a revaluation loss related to a convertible bond issued by associate Shanghai Electric Power. Excluding the non-cash loss, China Power's 1H07 profit was still 24.3% lower than a year earlier, amid higher power generation costs.



Summary of US Economic News

Indicator	Change/Index	Comments
ISM manufacturing index – August 2007	52.9	ISM manufacturing index fell to 52.9 in Aug from 53.8 in Jul, lower than consensus forecast of 53.0, implying slower growth in the sector last month.
Pending home sales – July 2007	-12.2%	The National Association of Realtors' pending home sales index tumbled 12.2% m-o-m to 89.9 in August, the lowest reading since 89.8 in September 2001 amid the 911 incident.
Productivity – Q2 2007	+2.6%	The annual growth rate of productivity was revised up to 2.6%, from the initial estimate of 1.8%.
Initial jobless claims – the week ended 1 st Sep 2007	-19,000	Initial jobless claims fell 19,000 last week to 318,000, below consensus forecast of 325,000.
ISM non-manufacturing index – August 2007	55.8	The index stood at 55.8, better than market expectation of 54, which indicated growth remained solid in the US service sector.

Forthcoming Important Announcements / Events

10 th September 2007 (Monday)	HK US	: Chitaly Holdings (1198) – interim results : No important announcement/ event
11 th September 2007 (Tuesday)	HK US	: Foxconn International (2038) – interim results : Greentown China (3900) – interim results : Shenzhen Investment (0604) – interim results : Trade balance – July 2007
12 th September 2007 (Wednesday)	HK US	: Anta Sports (2020) – interim results : Hong Kong Ferry (0050) – interim results : Hong Kong & Shanghai Hotels (0045) – interim results : Jutal Offshore Oil Services (3303) – interim results : Mengniu Dairy (2319) – interim results : Sun Hung Kai & Co (0086) – interim results : Towngas China (1083) – interim results : No important announcement/ event
13 th September 2007 (Thursday)	HK US	: HK & China Gas (0003) – interim results : Intime (1833) – interim results : K. Wah International (0173) – interim results : Kowloon Development (0034) – interim results : Lingbao Gold (3330) – interim results : Luen Thai (0311) – interim results : Melco International (0200) – interim results : SCMP (0583) – interim results : SHKP (0016) – final results : Shui On Construction and Materials (0983) – interim results : Initial jobless claims – the week ended 8 th September 2007
14 th September 2007 (Friday)	HK US	: External trade – August 2007 : China Coal Energy (1898) – interim results : China Merchants International (0144) – interim results : China Resources Land (1109) – interim results : CNPC (Hong Kong) (0135) – interim results : Cross-Harbour (Holdings) (0032) – interim results : Guangdong Investment (0270) – interim results : Guoco Group (0053) – final results : Hop Fung Group (2320) – interim results : Kerry Properties (0683) – interim results : Shun Tak Holdings (0242) – interim results : Tai Sang Land (0089) – interim results : Retail sales – August 2007 : Industrial production – August 2007 : Business inventories – July 2007 : Consumer sentiments (preliminary) – September 2007

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