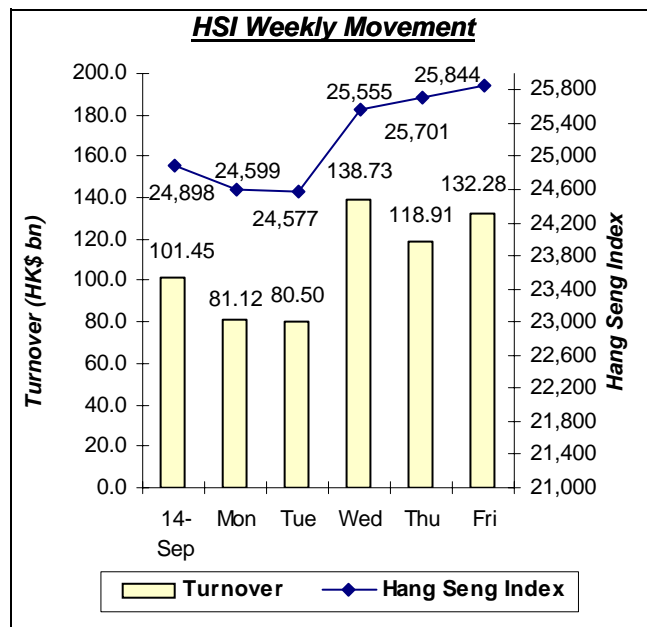


## Rate cut in the US pushed the HSI to another new high



<b>Weekly Market Statistics</b>				
Week ended	21/09/07	14/09/07	Change	%
Hang Seng Index	25,844	24,898	+946	+3.8%
HS Red Chip Index	5,233	4,999	+234	+4.7%
HS China Enterprises Index	15,694	14,708	+986	+6.7%
HS Composite Index	3,748	3,608	+140	+3.9%
HS HK Composite Index	2,782	2,735	+47	+1.7%
HS Mainland Composite Index	4,953	4,705	+248	+5.3%
Growth Enterprise Index	1,513	1,541	-28	-1.8%
Avg Daily Turnover (HK\$ bn)	110.3	100.2	+10	+10.1%
<b>Sectoral Indices</b>				
Finance	39,567	37,688	+1,879	+5.0%
Utilities	36,771	36,743	+28	+0.1%
Properties	31,116	31,853	-737	-2.3%
Comm & Ind	14,746	14,103	+643	+4.6%

## Review & Outlook of Market Performance

The local bourse started the week with a slump among the local property stocks as investors pocketed profit before the U.S. central bank's rate decision meeting on Tuesday (US time) and after the site in Tai Po was auctioned at a price within market expectations. The larger-than-expected interest rate cut of 50 basis points to 4.75% by the U.S. Fed ignited a broad rally on Wednesday sending the HSI through the 25,500- mark. The bold rate cut temporarily eased concerns that the US economy would slip into recession as a result of spreading credit crunch and worsening housing slump. Responding to the US rate cut, many local lenders trimmed their respective best lending rates. Meanwhile, crude oil, gold and many commodities reached recent new highs sending related counters to repeated new highs.

The Hang Seng Index marched to all-time highs in 3 consecutive trading days to close the week at 25,843.78, up 946 points or 3.8% w-o-w, whilst the HSCEI ended this week at 15,693.66, up 6.70% w-o-w. Trading remained hectic this week, with average daily turnover amounted to HK\$110.3 billion hitting a record turnover of HK\$138.73 billion on Wednesday.

The speculation that the "individual through train" programme will be launched after the Golden week holiday in the PRC continued to fuel the H-shares and provide abundant liquidity despite after the news that there will be a cap on investments by PRC citizens in the HK market. Several A-share listing candidates saw their H shares soared over the week. Airline carriers, led by China Eastern Airlines, Air China and Cathay Pacific, were the stars this week on speculation of an industry-wide restructuring to be started after the October Communist Party congress. PetroChina, despite being sold down by Warren Buffet for the 3<sup>rd</sup> time in 2 months, also soared on its application for listing of some 4 billion A-shares.

Looking ahead, although near-term profit-taking may start kicking in amid the steep run-up, the local market should be well-supported by favourable fundamentals and liquidity after the Fed's rate cuts eased overseas uncertainty. We see HSI to have a strong support above 25,000.

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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							
21st September	13,766.70*	2,654.29*	16,312.61	3,542.22	1,305.94	831.51	9,105.28
14th September	13,442.52	2,602.18	16,127.42	3,536.40	1,289.50	811.95	9,031.63
Change	+324.18	+52.11	+185.19	+5.82	+16.44	+19.56	+73.65
%	+2.4%	+2.0%	+1.1%	+0.2%	+1.3%	+2.4%	+0.8%

Remark (\*): closing as of 20<sup>th</sup> September 2007

### Major Changes in Index Constituent Stocks (Week ended 21<sup>st</sup> September 2007)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @21/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific	0293	HK\$22.70	+HK\$2.50	+12.38%	After jumping to a record high of HK\$23.05 on Friday morning closing, the counter was suspended in the afternoon pending release of price sensitive proposed transaction. There were rumours that Cathay and Air China are counter-offering China Eastern Airlines' stake sale to Singapore Airlines.
China Merchants Holdings	0144	HK\$47.45	+HK\$5.45	+12.98%	China Merchants announced it would pay RMB1.6 billion in cash to acquire 45% of Zhanjiang Port Group from the city's SASAC, which will own the remaining 55% stake of the group.
HKEX	0388	HK\$219.2	+HK\$32.1	+17.16%	The counter experienced another late Friday afternoon surge to new high on the back of ample fund flows.

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

Stock	Stock Code	Closing Price @21/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$12.70	+HK\$3.62	+39.87%	Gold miners rallied as spot gold hit 28-year highs.
Air China	0753	HK\$11.84	+HK\$2.55	+27.45%	Chinese Airlines soared on speculation of industry restructuring.
PetroChina	0857	HK\$12.96	+HK\$1.40	+12.11%	The company plans to issue no more than 4 billion new A-shares. The listing hearing is scheduled for next Monday.

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

Stock	Stock Code	Closing Price @21/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$11.94	+HK\$1.60	+15.47%	The counter rose on high oil prices.

### Summary of US Economic News

Indicator	Change/Index	Comments
Producer price index – August 2007	-1.4%	PPI fell more than the forecasted 0.3% in August. The 1.4% decrease, the largest fall in 10 months, was led by a 6.6% plunge in energy costs.

Consumer price index – August 2007	-0.1%	CPI dipped 0.1% in August marking the first drop in consumer prices since a 0.4% fall in October 2006 on falling energy and food prices. The market expected no change in CPI in August.
Housing starts – August 2007	1.33 million	Housing starts fell to an annual pace of 1.33 million in August, down from 1.38 million in July. Economists had forecast starts would fall to a pace of 1.345 million in August.
Leading indicators – August 2007	-0.6%	The US leading indicator index fell more than expected during August at a rate of -0.6% to 137.8, erasing most of the gains achieved in July. The market expected no change in the indicator.
Initial jobless claims – the week ended 15 <sup>th</sup> September 2007	-9,000	Initial jobless claims decreased by 9,000 to 311,000 versus a market expectation of 320,000.

### Forthcoming Important Announcements / Events

24 <sup>th</sup> September 2007 (Monday)	HK	:	Cosmo Machinery (0118) – FY2007 interim results <b>Guangzhou Investment (0123) – FY2007 interim results</b> Min Xin Holdings (0222) – FY2007 interim results China Seven Star Shopping (0245) – FY2007 interim results Luks Group (0366) – FY2007 interim results Genesis Energy Holdings (0702) – FY2007 interim results Hopson Development (0754) – FY2007 interim results Global Bio-Chem (0809) – FY2007 interim results Franshion Properties (0817) – FY2007 interim results Haier Electronics (1169) – FY2007 interim results Tak Shun Technology (1228) – FY2007 interim results China Force Oil & Grains (1194) – FY2007 interim results
	US	:	Analogic Corp - Q4 2007 results
25 <sup>th</sup> September 2007 (Tuesday)	HK	:	Silver Grant International (0171) – FY2007 interim results Century Legend (Holdings) (0079) – FY2007 interim results SRE Group Ltd. (1207) – FY2007 interim results Hong Lung (1383) – FY2007 interim results
	US	:	Consumer confidence – September 2007 Existing homes sales – August 2007 Standard Microsystems Corp - Q2 2007 results
26 <sup>th</sup> September 2007 (Wednesday)	HK	:	Public Holiday Sichuan Expressway (0107) – FY2007 interim results
	US	:	Durable orders – August 2007
27 <sup>th</sup> September 2007 (Thursday)	HK	:	China Starch Holdings (3838) – trading debut China Starch Holdings (3838) – FY2007 interim results New Heritage Holdings (0095) – FY2007 interim results Rexcapital Financial (0555) – FY2007 interim results Aurora Global Investment (0353) – FY2007 interim results Morning Star Resources (0542) – FY2007 interim results Tanrich Financial (0812) - FY2006/07 final results China Automation Group (0569) – FY2007 interim results
	US	:	GDP – 2Q 2007 Initial jobless claims – the week ended 22 September 2007 New home sales – August 2007 McCormick & Co Inc – Q3 2007 results Rite Aid Corp - Q2 2007 results
28 <sup>th</sup> September 2007 (Friday)	HK	:	<b>Sino-Ocean Land (3377) – trading debut</b> Beauforte Investors Corp. (0021) – FY2007 interim results EganaGoldpfeil (Holdings) (0048) – FY06/07 final results Art Textile Technology (0565) – FY06/07 final results Hidili Industry International (1393) – FY2007 interim results
	US	:	Personal income and spending – August 2007 Chicago PMI – September 2007

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