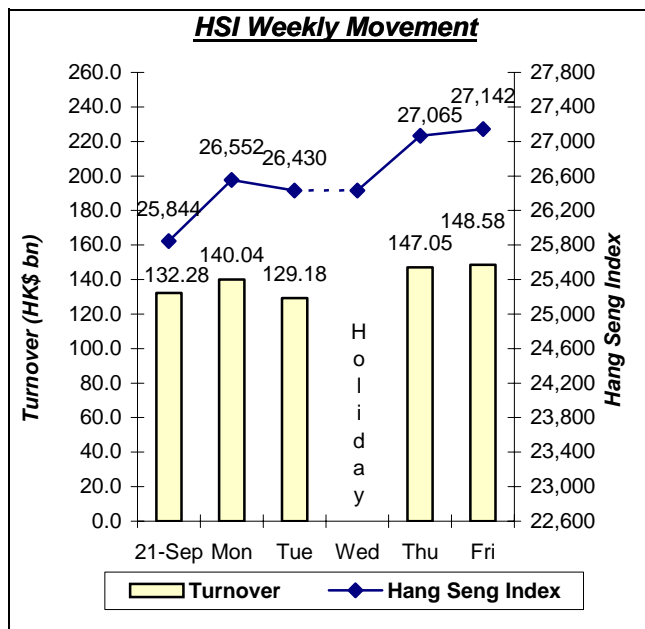


HSI settles above 27,000 on window dressing and strong liquidity



Weekly Market Statistics				
Week ended	28/09/07	21/09/07	Change	%
Hang Seng Index	27,142	25,844	+1,299	+5.0%
HS Red Chip Index	5,801	5,233	+568	+10.9%
HS China Enterprises Index	17,018	15,694	+1,324	+8.4%
HS Composite Index	3,921	3,748	+173	+4.6%
HS HK Composite Index	2,833	2,782	+51	+1.8%
HS Mainland Composite Index	5,266	4,953	+313	+6.3%
Growth Enterprise Index	1,515	1,513	+2	+0.1%
Avg Daily Turnover (HK\$ bn)	141.2	110.3	+31	+28.0%
Sectoral Indices				
Finance	41,021	39,567	+1,455	+3.7%
Utilities	36,668	36,771	-103	-0.3%
Properties	32,516	31,116	+1,400	+4.5%
Comm & Ind	15,827	14,746	+1,081	+7.3%

Review & Outlook of Market Performance

Resistance at the 26,000-mark was proved to be short-lived, as window-dressing activities, strong market liquidity and expectations for QDII and "HK through train" related funds inflow helped push up the blue-chip index to new record high above 27,000. Hang Seng Index rallied nearly 1,300 points or 5.0% to 27,142.47, after hitting an all-time record at 27,254.97 on Friday. Robust run in China Mobile, HKEx, China Life and Ping An was the driving force behind. The HSCEI also performed solidly, up a sharp 8.4% w-o-w to 17,017.94. Mainboard turnover increased to more than HK\$140 billion for three out of the four trading days of the week, which lifted the average daily turnover to HK\$141.2 billion, compared with HK\$110.3 billion in the previous week.

Major stock market indexes kept rewriting their historical highs towards the end of the week, as investors are setting high hope on QDII funds inflow after the Mainland "Golden Week" to lift up share prices further. In fact, the newly launched QDII funds during the week have received enormous market response and attracted heavy subscription. Speculation about a near-term implementation of the "HK through train" scheme also added steam in the market. Besides strong capital inflow, M&A was also a key theme in the market. Investors bid up sharply the PRC mobile and telecom carriers, on expectation that Beijing would soon introduce a sector reform. China Mobile shot up 14.1% w-o-w, while China Telecom jumped 27.1%. China Unicom topped all gainers in the HSI with an 18.2% gain, while China Netcom surged 12.1%. Airlines were among the laggards, after Cathay Pacific and CNAHC, parent of Air China, said to withdraw a bid for a stake in China Eastern Airlines. Cathay lost 6.4% and Air China tumbled 6.3% w-o-w – both the biggest loser in the HSI and the HSCEI, respectively. Sino Land and several other companies rushed to place shares to capitalise the stock market rally, but investors generally ignored the news amid abundant market liquidity.

HK stock market is expected to take a breather next week amid the "Golden Week" in the Mainland. We may see a mild consolidation but the downside should be limited amid strong liquidity as well as sound fundamentals. The HSI is expected to trade in the range between 26,400 to 27,200.

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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							
28th September	13,913.59*	2,709.59*	16,785.69	3,706.23	1,336.30	845.50	9,411.95
21st September	13,820.19	2,671.22	16,312.61	3,542.22	1,305.94	831.51	9,105.28
Change	+93.40	+38.37	+473.08	+164.01	+30.36	+13.99	+306.67
%	+0.7%	+1.4%	+2.9%	+4.6%	+2.3%	+1.7%	+3.4%

Remark (*): closing as of 27th September 2007

Major Changes in Index Constituent Stocks (Week ended 28th September 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @28/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific	0293	HK\$21.25	-HK\$1.45	-6.39%	Cathay Pacific fell over the week, as investors reversed their speculative buying positions in the counter after the HK-based air carrier said it dropped its plan to bid for a stake in China Eastern Airlines and replace Singapore Airlines and Temasek as strategic shareholders in the Mainland's third largest air carrier.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @28/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$11.10	-HK\$0.74	-6.25%	Air China tumbled amid diminishing hope for an imminent government-led consolidation in the Mainland air industry.
PetroChina	0857	HK\$14.74	+HK\$1.78	+13.73%	PetroChina jumped sharply after it won approval to list its A shares on the Shanghai stock exchange. Meanwhile, the oil giant also revealed that the Jidong Nanpu oilfield is expected to have an ultimate proven reserve around 2 billion tonnes – much higher than its initial estimate of 405 million tonnes made in May this year.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @28/09/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$127.30	+HK\$15.70	+14.07%	Mainland mobile and telecom carriers were among the winners during the week, amid rumours that the Chinese government will carry out a long-expected sector reform soon. Meanwhile, investors also bid up China Mobile aggressively, on expectation that CM would be one of the top picks for the upcoming QDII funds, as the mobile giant has not yet listed on the domestic bourse.
China Unicom	0762	HK\$16.08	+HK\$2.48	+18.24%	
China Netcom	0906	HK\$20.80	+HK\$2.24	+12.07%	

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence index – September 2007	99.8	Consumer confidence index weakened to 99.8 in Sep from 105.6 in Aug, also below consensus forecast of 104.5.
Existing home sales – August 2007	5.50 million	Existing home sales dropped to an annual rate of 5.50 million units in Aug, down from 5.75 million in Jul but matching market expectation.
Durable goods orders – August 2007	-4.9%	Durable goods orders fell 4.9% m-o-m in Aug, the biggest since January this year.
Initial jobless claims – the week ended 22 nd September 2007	-15,000	Initial jobless claims dropped by 15,000 to 298,000, bucking expectations of a rise to 320,000.
New home sales – August 2007	-8%	New home sales fell 8% to an annual rate of 795,000 units, even worse than consensus forecast of a drop to 825,000 units. The weak sales figure marked the weakest level since June 2000.

Forthcoming Important Announcements / Events

1 st October 2007 (Monday)	HK	:	National Day holiday
	US	:	ISM manufacturing index – September 2007 Palm, Inc. – Q1 FY2007/08 results
2 nd October 2007 (Tuesday)	HK	:	Retail sales – August 2007 Qunxing Paper Holdings Limited (3868) – trading debut
	US	:	Pending home sales – August 2007 Micron Technology – Q4 FY2006/07 results
3 rd October 2007 (Wednesday)	HK	:	No important announcement/event
	US	:	ISM non-manufacturing index – September 2007
4 th October 2007 (Thursday)	HK	:	Cheuk Nang (Holdings) (0131) – final results DaChan Food (Asia) Limited (3999) – trading debut
	US	:	Initial jobless claims – the week ended 29 th September 2007 Factory orders – August 2007 Marriott International – Q3 FY2006/07 results
5 th October 2007 (Friday)	HK	:	Daqing Petroleum and Chemical Group (0362) – final results
	US	:	Non-farm payrolls – September 2007 Jobless rate – September 2007

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