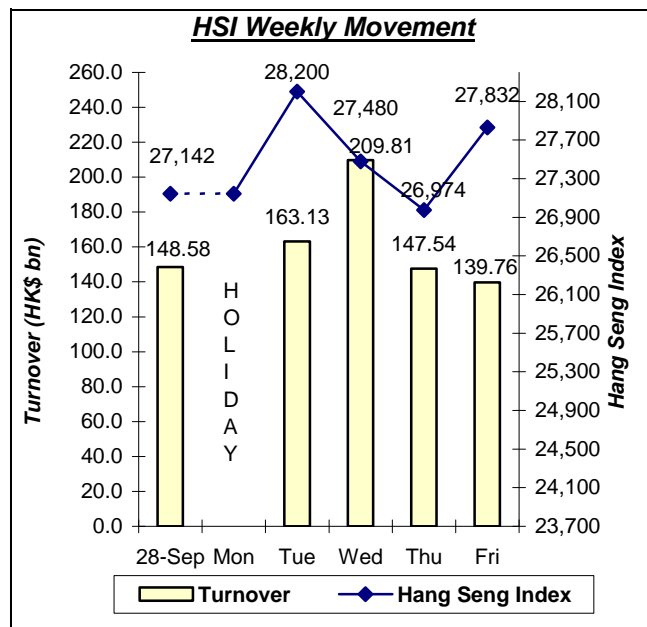


HSI challenged the 28,000 mark before profit-taking kicked in



Weekly Market Statistics				
Week ended	05/10/07	28/09/07	Change	%
Hang Seng Index	27,832	27,142	+689	+2.5%
HS Red Chip Index	5,887	5,801	+86	+1.5%
HS China Enterprises Index	17,540	17,018	+522	+3.1%
HS Composite Index	3,996	3,921	+75	+1.9%
HS HK Composite Index	2,898	2,833	+65	+2.3%
HS Mainland Composite Index	5,354	5,266	+88	+1.7%
Growth Enterprise Index	1,494	1,515	-21	-1.4%
Avg Daily Turnover (HK\$ bn)	165.1	141.2	+24	+16.9%
Sectoral Indices				
Finance	43,115	41,021	+2,094	+5.1%
Utilities	37,199	36,668	+531	+1.4%
Properties	32,238	32,516	-277	-0.9%
Comm & Ind	15,923	15,827	+96	+0.6%

Review & Outlook of Market Performance

The short trading week started off with a spectacular run on Tuesday as many believed aggressive mainland investors would flock to the HK market during the Chinese Golden week holiday. Robust run was observed in China Mobile, PetroChina and Mainland financial stocks. The local bourses continued the stellar run on Wednesday morning resetting record highs for both indices before giving up all the gains in that afternoon with a drastic reversal. A record main-board turnover was recorded at over HK\$209 billion with an intra-day swing of over 1,620 points. There were rumors that the swift reversal was due to talks that the "HK through train" will be further delayed to after the 17th National Congress of the Communist Party in mid October. Profit-taking activities were active among the recent gainers: the local property stocks, commodities, and H-shares. However, ample liquidity seemed to restrain further follow-through selling. During the week, Hang Seng Index rallied to an all-time record of 28,871 before a drastic reversal and closed at 27,831.52, up 2.5% w-o-w. The HSCEI rose to a record of 18,463.73 before ending the week at 17,540.02, up 3.1% w-o-w. Average daily turnover amounted to HK\$165.06 billion, compared with HK\$141.2 billion in the previous week.

H-shares experienced harder selling pressure during the week as investors worried the hefty valuations are not supported by fundamentals. Market talks concentrated around the timing of the implementation of the "HK through train" scheme. Investors speculated that the PRC government has reservation to launch the scheme amid the H-shares rally to the current high levels. Investors speculated that the PRC Government might introduce more measures after the 17th National Congress to cool down the A-share market and hence dragging down the H-shares before launching the "HK through train" scheme. Meanwhile, three QDII funds have completed fund-raising from the domestic market and will begin investing in overseas securities soon.

Looking ahead, we maintain that fundamentals are sound and liquidity remains ample. The long-awaited consolidation has come and the HK stock market is expected to continue consolidating in the range of 26,500 – 27,500 ahead of the 17th National Congress and rate decision in the US in late October.

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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							
5th October	13,974.31*	2,733.57*	17,065.04	3,822.62	1,372.39	852.33	9,617.26
28th September	13,895.63	2,701.50	16,785.69	3,706.23	1,336.30	845.50	9,411.95
Change	+78.68	+32.07	+279.35	+116.39	+36.09	+6.83	+205.31
%	+0.6%	+1.2%	+1.7%	+3.1%	+2.7%	+0.8%	+2.2%

Remark (*): closing as of 4th October 2007

Major Changes in Index Constituent Stocks (Week ended 5th October 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @5/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
MTRC	0066	HK\$25.20	+HK\$2.05	+8.86%	The counter shot up ahead of next week's EGM, in which investors are expected to approve the company's merger with KCRC.
HSBC	0005	HK\$150.80	+HK\$8.60	+6.05%	Investors chased after this laggard on hopes that the subprime problems have largely bottomed. Meanwhile, Goldman Sachs said in a report that it was raising HSBC's 12-month price target to HK\$161 from HK\$158.
Hong Kong and China Gas	0003	HK\$19.84	+HK\$1.74	+9.61%	Henderson Land Development (0012.HK) planned to pay HK\$42.86 billion for Henderson Investment Ltd's (0097.HK) 39.06%-stake in the company as the final step in the reorganization.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @5/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Construction	1800	HK\$22.00	+HK\$3.52	+19.05%	The laggard jumped catching up with the previous rally among the H-shares.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @5/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Power	0836	HK\$28.10	+HK\$3.95	+16.36%	The company placed 200 million shares. The proceeds (HK\$4.82 billion) will be used to invest in green-field coal mines in Inner Mongolia. The counter surged on resumption of trading as investors saw value in the investment through fuel cost savings.
CITIC Resources	1205	HK\$5.65	-HK\$0.60	-9.60%	The counter dropped after a shareholder sold 260 million shares at HK\$5.78 per share.

Summary of US Economic News

Indicator	Change/Index	Comments
ISM manufacturing index – September 2007	52.0	The Sept ISM manufacturing index has fallen to 52.0 from 52.9 in August. The market expected the index to be 52.5.
ISM non-manufacturing index – September 2007	54.8%	The Sept ISM non-manufacturing Business Activity Index registered 54.8%, indicating a slower rate of growth in business activity compared to August. The market expected the index to be 55.0.
Pending home sales – August 2007	-6.5%	Pending sales of previously owned homes fell a larger-than-expected 6.5% in Aug as more borrowers seeking home loans were turned away by cautious lenders. The market expected a drop of 2%.
Factory orders – August 2007	-3.3%	Total factory orders dropped 3.3%. Economists had predicted an overall 2.9% decline.
Initial jobless claims – the week ended 29 th September 2007	+16,000	Initial jobless claims rose by 16,000 to 317,000. The market expected a rise to 310,000.

Forthcoming Important Announcements / Events

8 th October 2007 (Monday)	HK	:	SOHO China Ltd. (0410) – trading debut
	US	:	Applied Development (0519) – final results for FY2007 Yum Brands Inc. – Q3 FY2007 results Q-Med Inc. – Q3 FY2007 results
9 th October 2007 (Tuesday)	HK	:	China Aoyuan Property (3883) – trading debut
	US	:	Kingsoft Corporation (3888) – trading debut FOMC minutes – September 18 Alcoa – Q3 FY2007 results Century BanCorp Inc. – Q3 FY2007 results
10 th October 2007 (Wednesday)	HK	:	China Dongxiang (Group) Co. Ltd. (3818) – trading debut NWS Holdings (0659) – final results for FY2007 New World Department Store (0825) – final results for FY2007
	US	:	New World Mobile (0862) – final results for FY2007 Wholesale Inventories – August 2007 Costco Wholesale Corp – Q4 FY2007 results Mercantile Bank Corp. – Q3 FY2007 results Material Sciences Corp. – Q3 FY2007 results Monsanto Company – Q4 FY2007 results
11 th October 2007 (Thursday)	HK	:	Bosideng International (3988) – trading debut New World Development (0017) – final results for FY07 New World China (0917) – final results for FY2007
	US	:	Ngai Hing Hong (1047) – final results for FY2007 Initial jobless claims – the week ended 6th October 2007 Trade Balance – August 2007 Bank of the Ozarks Inc. – Q3 FY2007 results Pepsico Inc. – Q3 FY2007 results Safeway Inc. – Q3 FY2007 results
12 th October 2007 (Friday)	HK	:	Xinjiang Xinmin Mining Industry (3833) – trading debut Netel Technology (8256) – 1Q07 results Kong Sun Holdings (0295) – FY2007 Interim results Benefun International (1130) – final results for FY2007 The Quaypoint Corp. (2330) – final results for FY2007
	US	:	Retail Sales - September 2007 PPI – September 2007 Business Inventories – August 2007 General Electric – Q3 FY2007 results

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