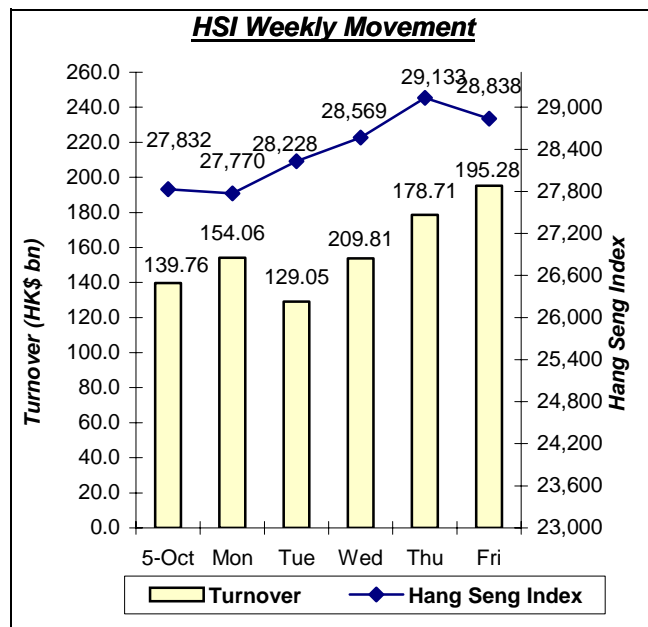


Tsang's view keeps the market testing new record high



Weekly Market Statistics				
Week ended	12/10/07	05/10/07	Change	%
Hang Seng Index	28,838	27,832	+1,007	+3.6%
HS Red Chip Index	6,054	5,887	+168	+2.8%
HS China Enterprises Index	19,081	17,540	+1,541	+8.8%
HS Composite Index	4,148	3,996	+152	+3.8%
HS HK Composite Index	2,955	2,898	+57	+2.0%
HS Mainland Composite Index	5,616	5,354	+261	+4.9%
Growth Enterprise Index	1,543	1,494	+49	+3.3%
Avg Daily Turnover (HK\$ bn)	162.2	165.1	-3	-1.7%
Sectoral Indices				
Finance	44,756	43,115	+1,642	+3.8%
Utilities	36,590	37,199	-609	-1.6%
Properties	33,343	32,238	+1,104	+3.4%
Comm & Ind	16,558	15,923	+635	+4.0%

Review & Outlook of Market Performance

Hang Seng Index has been breaking record high on almost every trading day during the week. At the beginning of this week, on expectation that Beijing should not tamper with the rising market ahead of the 17th Communist Party Congress, the index climbed to a record high on Tuesday. The market went even higher after an extraordinarily positive speech from the HKSAR Chief Executive Donald Tsang on Wednesday, highlighted with tax cuts on corporate profits & salaries and the 10 major infrastructure projects that will create 250,000 new jobs and add more than HK\$100 billion to the economy. In addition, minutes from the US Fed's most recent meeting showed that it may not need to cut interest rates further supported the regional markets, easing concern on the sub-prime crisis.

H-shares continued to be buoyed by the story that mainland funds keep flowing to the city, coupled with the news that several asset management firms had gained approval from mainland regulators to start investing overseas through QDII programs. Investors kept buying shares in the mainland banking sector. ICBC, Bank of China, Bank of Communications rose 11%, 7% and 13% w-o-w, respectively. Other star performers include China Shenshua and Anhui Conch, whose target prices were raised for almost double by investment banks.

There were totally 6 IPOs throughout the week, with gains on the day of trading debut ranging from 4% (Bosideng International) to 119% (Xinjing Xinxin Mining). Hang Seng Index rallied to an all-time record of 29,133.76 and closed at 28,838, up 3.6% w-o-w. The HSCEI rose to a record of 19,246 before ending the week at 19,081, up 8.8% w-o-w. Average daily turnover amounted to HK\$162.2 billion, compared with HK\$165.1 billion in the previous week.

Looking ahead, we see retail investors would likely take profit ahead of the conclusion of the 17th Party Congress. Therefore, we see a strong resistant at the 29,000 level and expect that the market to consolidate in the range of 26,500 – 27,000.

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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 12th October	14,015.12*	2,772.20*	17,331.17	3,857.25	1,375.25	887.02	9,496.47
5th October	14,066.01	2,780.32	17,065.04	3,822.62	1,372.39	852.33	9,617.26
Change	-50.89	-8.12	+266.13	+34.63	+2.86	+34.69	-120.79
%	-0.4%	-0.3%	+1.6%	+0.9%	+0.2%	+4.1%	-1.3%

Remark (*): closing as of 11th October 2007

Major Changes in Index Constituent Stocks (Week ended 12th October 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @12/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$11.40	+HK\$1.63	+16.68%	It was reported that Sinopec's Xinjiang oilfield has the potential to become one of the country's leading crude producers as reserves continue to swell.
ICBC	1398	HK\$6.66	+HK\$0.67	+11.19%	ICBC Credit Suisse Asset Management Co, 55% owned by ICBC, received regulatory approval to start investing overseas under the QDII program
Hang Seng Bank	0011	HK\$ 138.50	+HK\$14.60	+10.54%	Rumour has it that ICBC (1398) may take a stake in the Bank.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @12/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Bank of Communications	3328	HK\$11.46	+HK\$1.36	+13.47%	The counter surged on expectation that the central government may allow HSBC (0005) to acquire a larger stake in Bank of Communications.
Anhui Conch	0914	HK\$87.00	+HK\$20.15	+30.14%	Credit Suisse and Morgan Stanley raised its price target to HK\$120 and HK\$87.40, on expected surging cement prices over next couple of years in China.
China Shenhua	1088	HK\$54.00	+HK\$9.10	+20.22%	UBS issued a report upgrading target price to HK\$101, based on the highest multiple A share listed coal company valuation.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @12/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangzhou Investment	123	HK\$3.38	+HK\$0.61	+22.02%	Citigroup raised the target price to \$3.60, based on a 30% discount to the forward-08E NAV of HK\$5.15 (existing landbank)

Summary of US Economic News

Indicator	Change/Index	Comments
FOMC minutes for the meeting on 18 th September	NA	The minutes showed the Fed clearly concerned about subprime credit problems leading to more adverse effects on the economy. The Fed also lowered its outlook for real growth slightly but still sees continuing moderate growth due to a strong international sector and business investment while the consumer continues to contribute positively.
Wholesale inventories – August 2007	+0.1%	The market had expected a 0.3% increase after rising 0.2% in the previous month.
Trade balance – August 2007	-2.4%	The deficit for August narrowed to \$57.59 billion, down by 2.4% from July as rising exports offset higher costs for imported oil. Adjusted for inflation, it was the lowest level since February 2004, and in absolute terms the lowest since January.
Initial jobless claims – the week ended 6 th October 2007	-12,000	Initial jobless claims dropped by 12,000 to 308,000 last week, which declined more than forecast, showing the labour market remained resilient heading into the fourth quarter.

Forthcoming Important Announcements / Events

15 th October 2007 (Monday)	HK US	: Tianye Water (8280) – Q3 FY2007 Result : Citigroup Inc. – Q3 2007 Earnings Release Mattel – Q3 2007 Earnings Release Eaton – Q3 2007 Earnings Release
16 th October 2007 (Tuesday)	HK US	: Chaoda Modern (0682) – FY2007 Final Result : Industrial Production – September 2007 : Intel Corporation – Q3 FY2007 Earnings Release : IBM – Q3 2007 Earnings Release U.S. Bancorp – Q3 2007 Earnings Release State Street Corporation – Q3 FY2007 Earnings Release
17 th October 2007 (Wednesday)	HK US	: Dah Chong Hong (1828) – trading debut Golden Harvest (1132) – FY2007 Final Result : Consumer Price Index – September 2007 Housing Starts – September 2007 : Coca-Cola – Q3 FY2007 Earnings Release Altria Group – Q3 FY2007 Earnings Release Citrix System – Q3 FY2007 Earnings Release Gannett – Q3 FY2007 Earnings Release
18 th October 2007 (Thursday)	HK US	: Dynamic Hldg (0029) – FY2007 Final Result Shang Hua Hldg (0371) – FY2007 Final Result Hua Han (0587) – FY2007 Final Result Bossini Int'l (0592) – FY2007 Final Result Universe Int'l (1046) – FY2007 Final Result Victory Group (1139) – FY2007 Final Result : Leading Indicators – September 2007 Initial Jobless Claims – the week ended 13th October 2007 Southwest Airlines – Q3 FY2007 Earnings Release Wyeth – Q3 FY2007 Earnings Release Bank of America – Q3 FY2007 Earnings Release
19 th October 2007 (Friday)	HK US	: Chung Yeung Festival holiday : 3M Company – Q3 FY2007 Earnings Release Xerox Corporation – Q3 FY2007 Earnings Release : Caterpillar – Q3 FY2007 Earnings Release

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