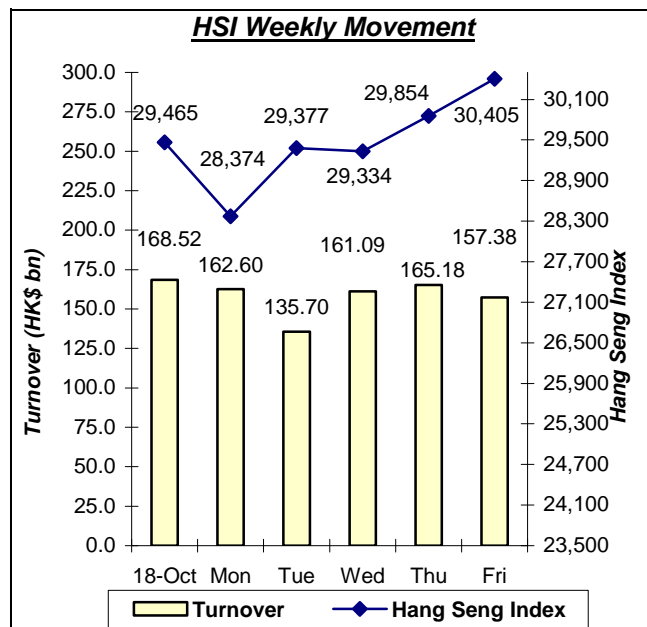


HSI hit new high on further rate cut expectation



Weekly Market Statistics				
Week ended	26/10/07	18/10/07	Change	%
Hang Seng Index	30,405	29,465	+940	+3.2%
HS Red Chip Index	6,761	6,495	+266	+4.1%
HS China Enterprises Index	19,548	19,722	-174	-0.9%
HS Composite Index	4,344	4,234	+109	+2.6%
HS HK Composite Index	3,018	2,942	+76	+2.6%
HS Mainland Composite Index	5,964	5,814	+150	+2.6%
Growth Enterprise Index	1,489	1,509	-20	-1.3%
Avg Daily Turnover (HK\$ bn)	157.4	168.5	-11	-6.6%
Sectoral Indices				
Finance	45,588	45,070	+518	+1.1%
Utilities	36,750	36,671	+80	+0.2%
Properties	37,040	32,992	+4,048	+12.3%
Comm & Ind	18,004	17,371	+633	+3.6%

Review & Outlook of Market Performance

Hong Kong equities stayed volatile over the week, amid of the worries that the housing slump could drag down the wider U.S. economy. Major stock indexes had massive fall on Monday. Yet, many investors and market watches were caught in surprise on the following day after the HSI and HSCEI both got a V-shape rebound and HSI surged to another record high on Friday on expectation of further rate cut in the US next week. Property sector had the stellar performance over the week and jumped 12.3% w-o-w. The HSI surged 940 points (or 3.2%) at record high close of 30,405.22, yet the HSCEI dropped by 173.89 points (0.9%) at 19,548.49.

Earning results of PRC companies have been positive so far. In the first nine months, China Merchants Bank reported net profits soared 128% y-o-y, underpinned by robust net interest income. China Mobile's net profit jumped 29.8% to RMB59.88 billion, supported by a record number of users in Sept 07. China Telecom reported net profit rose 1.8% to RMB17.258 billion. In Q3 2007, China Shipping Development posted a 70% jump in net profit. China Southern Airlines reported net profit growth of 49% y-o-y to RMB1.875 billion. Industrial and Commercial Bank of China reported 75.61% growth in net profit, on strong fee and commission income boosted by the red-hot mainland stock market.

On the IPO front, Alibaba.com has frozen HK\$350 billion of market liquidity in respect of its retail offering or more than 186 times over-subscribed (excluding the portion of the cornerstone investors). The international offering has reported US\$180 billion order receipt. The price per share will probably be set at the top end of the indicative range of HK\$ HK\$13.5. Ming Fai's retail tranche reported 40 times oversubscriptions, freezing liquidity of some HK\$2.1 billion, the international placement portion is 20 times oversubscribed. The price per share was set at HK\$2.98, also at the top end of the indicative range. Separately, to increase liquidity and curb the strength of HKD, HK Monetary Authority intervened in the market, which was the first time since May 2005 to keep the HK\$/US\$ TT rate staying at strong side of 7.75.

Looking ahead, next week market remains focus on aspiration for rate cut in US, QDII inflows and the upcoming IPOs of Zhong An Real Estate and GCL-Poly Energy. Market is expecting the PRC will raise rates more drastically by 54bps after 11.5% expansion in Chinese economy in the third quarter.

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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							
26th October	13,671.92*	2,750.86*	16,505.63	3,770.33	1,393.39	903.49	9,631.51
19th October	13,892.54	2,792.67	16,814.37	3,747.98	1,370.17	875.83	9,611.72
Change	-220.62	-41.81	-308.74	+22.35	+23.22	+27.66	+19.79
%	-1.6%	-1.5%	-1.8%	+0.6%	+1.7%	+3.2%	+0.2%

Remarks: (*) closing as of 25th October 2007

Major Changes in Index Constituent Stocks (Week ended 26th October 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino Land	0083	HK\$24.65	+HK\$5.17	+26.54%	Hit record high amid of acquisition spree and hope for rate cut in US next week.
SHK PPT	0016	HK\$153.6	+HK\$19.2	+14.29%	Hit record high on rate cut aspiration.
China Netcom	0906	HK\$23.35	-HK\$2.6	-10.02%	Deutsche Bank lowered the rating of the counter from 'Buy' to 'Hold', claiming that it is overvalued, yet the target price of HK\$22 is maintained.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CSCL	2866	HK\$10.34	+HK\$1.38	+15.40%	Shares leaped on the back of its domestic listing plans.
Jiangxi Copper	0358	HK\$24.95	-HK\$5.8	-18.86%	Reported a 16% drop in earnings for in 3Q 07. Net profit fell to RMB 1.26bn. Goldman estimated its smelting is at a loss.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @26/10/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (HK)	0135	HK\$6.75	+HK\$1.17	+20.97%	Its 70% owned Bengara IT project in Indonesia may have breakthrough shortly. Company has finished 1 test well and is drilling 3 more with promising initial results. This may lead to near term announcement of the commercialization of the oil field. Thus, will offer significant upside to current oil reserve.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing home sales – September 2007	- 8% m-o-m	Fell 8% in Sep to an annual rate of 5.04 million, the fewest since records began in 1999.
Durable goods orders – September 2007	-1.7% m-o-m	Unexpectedly fell 1.7% (-5.3% in Aug). Excluding a 39% decline in defense equipment, orders rose 0.7%.
Initial jobless claims – the week ended 20 th October 2007	- 8,000 claims	Decreased by 8,000 to 331,000 after reaching six-month high the prior week.
New home sales – September 2007	+ 4.8% m-o-m	Rose 4.8% unexpectedly to an annual rate of 770,000. Aug purchases were revised down to an 11-year low of 735,000.

Forthcoming Important Announcements / Events

29 th October 2007 (Monday)	HK	: ASM Pacific Technology (0522) – 3Q FY 2007 results I.T Ltd (0999) – interim results TCL Multimedia (1070) – 3Q FY 2007 results Vitop Bioenergy (1178) – FY 2007 final results Sino Katalytics (2324) – FY 2007 final results TCL Communication (2618) – 3Q FY 2007 results Tong Ren Tang (8069) – 3Q FY 2007 results
	US	: Verizon Communications - FY 2007 final results
30 th October 2007 (Tuesday)	HK	: Semiconductor Manufacturing International (0981) – 3Q FY 2007 results BOC Hong Kong (2388) – 3Q FY 2007 results Bank of Communications (3328) – 3Q FY 2007 results Bank of China (3988) – 3Q FY 2007 results
	US	: Consumer Confidence – October 2007 Start of FOMC Meeting
31 st October 2007 (Wednesday)	HK	: Quasar Communication (8171) – 3Q FY 2007 results
	US	: Money Supply – September Kraft Food Inc. – Q3 FY2007 results GDP (Advance) –Q3 2007 FOMC Announcement Personal Consumption –Q3 2007 GDP Price Index –Q3 2007 Core PCE – Q3 2007 Employment Cost Index – Q3 2007 Chicago Purchasing Manager – Oct 2007 Construction Spending – September 2007
1 st November 2007 (Thursday)	HK	: Truly International Holdings (0732) – 3Q FY 2007 results Lenovo Group (0992) – interim results Convenience Retail Asia (8052) – 3Q FY 2007 results Shanghai Tonva Petrochemical (8251) – 3Q FY 2007 results Retail Sales – September 2007
	US	: Exxon Mobil Corp – Q3 FY2007 results ISM Mfg Index- October 2007 PCE Deflator – September 2007
2 nd November 2007 (Friday)	HK	: Frasers Property China (0535) – FY 2007 final results China Rise International (0723) – interim results Intcera High Tech (8041) – 1Q FY 2007 results Jiangsu Nandasoft (8045) – 3Q FY 2007 results Global Link Communications (8060) – interim results Sino Haijing (8065) – 3Q FY 2007 results China LotSynergy (8161) – 3Q FY 2007 results
	US	: Employment Situation – October 2007 Factory Order – September 2007

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