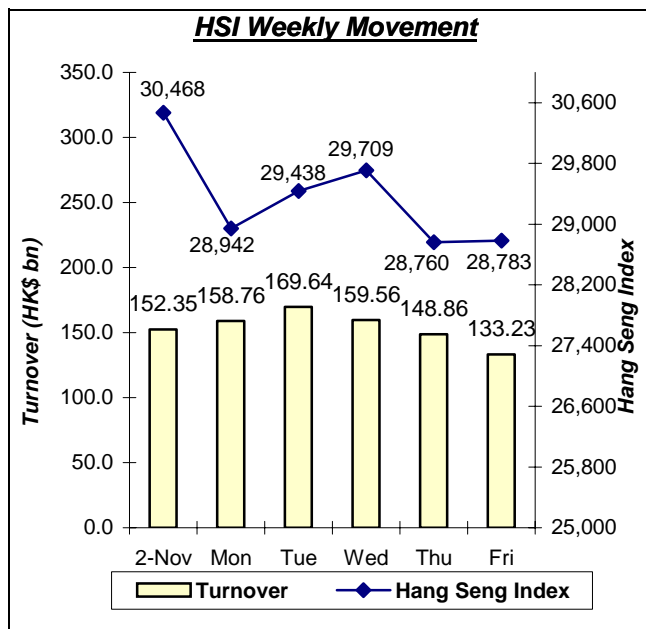


Delay of "HK-through train" triggered sell-off



Weekly Market Statistics				
Week ended	09/11/07	02/11/07	Change	%
Hang Seng Index	28,783	30,468	-1,685	-5.5%
HS Red Chip Index	6,153	6,769	-615	-9.1%
HS China Enterprises Index	17,704	19,540	-1,836	-9.4%
HS Composite Index	4,123	4,378	-255	-5.8%
HS HK Composite Index	2,961	3,021	-60	-2.0%
HS Mainland Composite Index	5,556	6,034	-478	-7.9%
Growth Enterprise Index	1,490	1,503	-13	-0.9%
Avg Daily Turnover (HK\$ bn)	154.0	152.3	+2	+1.1%
Sectoral Indices				
Finance	43,110	46,115	-3,005	-6.5%
Utilities	38,379	37,064	+1,315	+3.5%
Properties	36,527	35,237	+1,290	+3.7%
Comm & Ind	16,722	18,075	-1,353	-7.5%

Review & Outlook of Market Performance

Hong Kong equities fell sharply during the week, as investors rushed to dump shares to lock in profit after Premier Wu said the long-expected "HK through-train" scheme would still take some time and further preparation before launch. Besides, HK stocks, especially those H shares, got another hard hit, after rumours that Beijing may impose a lower limit on HK market exposure amongst the newly launched and the upcoming QDII mutual fund products. Over the week, the Hang Seng Index tumbled 5.5% to 28,783.41, led by falls in major H shares and red chips. The HSCEI slumped 9.4% to 17,704.08, with 17 out of the 43 constituents down by more than 10% w-o-w. Market turnover contracted towards the end of the week, as investors stayed on the sideline after a market meltdown.

The HSI registered the biggest drop since Sep 2001 on Monday, as market sentiment was seriously dampened by Premier Wu's "cooling" comments. Despite record-high crude oil prices and a strong A-share debut, bellwether PetroChina dived on profit taking and was the worst performer in the H-share index with a 17.65% plunge w-o-w. Share prices of base metal producers also down sharply amid rumours that Beijing may impose new resource tax. Meanwhile, both HK and PRC property plays outperformed, riding on better interest rate outlook. HK property developers bucked the overall market weakness and settled in positive territories after banks cut prime rates two times by an aggregate of 50bps over the last couple of weeks. Their PRC counterparts settled with minor losses, after PBOC chief Zhou said the central bank may not have to introduce further tightening before the year-end on easing inflationary pressure. The heavily subscribed e-commerce giant Alibaba posed a strong debut on Tuesday (as high as HK\$40.5), but failed to show further gains (closed at HK\$29), dragged by weak market sentiments and profit taking.

The HK market is likely to continue its correction going forward despite the sharp fall this week. Nevertheless, the lower local interest rates should bode well for property plays. We see the market should continue to be volatile next week, as China will release the October economic figures. The Chinese CPI is expected to grow 6.4% y-o-y last month – the 2nd highest pace in a decade.

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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							
9th November	13,266.29*	2,696.00*	15,583.42	3,599.67	1,402.25	874.64	8,970.92
2nd November	13,595.10	2,810.38	16,517.48	3,715.32	1,397.48	894.34	9,273.09
Change	-328.81	-114.38	-934.06	-115.65	+4.77	-19.70	-302.17
%	-2.4%	-4.1%	-5.7%	-3.1%	+0.3%	-2.2%	-3.3%

Remarks: (*) closing as of 8th November 2007

Major Changes in Index Constituent Stocks (Week ended 2nd November 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @9/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
SHKP	0016	HK\$147.50	+HK\$8.50	+6.12%	Property developers were among the winners, after local banks cut their prime lending rates by 25bps for the 2 nd times in a row over the past two weeks. Meanwhile, brokerage houses like Merrill Lynch expect local home prices would surge significantly in the next couple of years amid low interest rates, which should benefit property developers.
Henderson Land Development	0012	HK\$68.60	+HK\$2.95	+4.49%	
Sino Land	0083	HK\$26.05	+HK\$1.85	+7.64%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @9/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$16.14	-HK\$3.46	-17.65%	PetroChina was the biggest loser in the H-share index, as investors took profit on the counter after its A-share trading debut on Monday. PetroChina A shares closed at RMB43.96 on its debut, up more than 160% from its issue price. Meanwhile, PetroChina, China Shenhua and China Overseas Land will become Hang Seng Index constituents effective 10 th Dec 2007.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @9/11/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo	0992	HK\$7.19	-HK\$1.55	-17.73%	Lenovo fell sharply, after three private-equity investors, Texas Pacific Group, Newbridge Capital & General Atlantic, placed 350.46 million shares at a discount ranging from 4.6%-6.3% for HK\$2.92 billion (HK\$8.13 per share).

Summary of US Economic News

Indicator	Change/Index	Comments
ISM non-manufacturing index – October	55.8	The ISM non-manufacturing index surged to 55.8 in October from 54.8 in September, bucking market expectations of a drop to 54.0. The figure pointed to better growth in the US service sector.
Productivity (preliminary) – Q3 2007	+4.9%	Productivity surged at an annual rate of 4.9% in the Jul-Sep quarter – the fastest pace since 2003.
Initial jobless claims – the week ended 3 rd November 2007	-13,000	Initial jobless claims fell 13,000 last week to 317,000 from 330,000, better than market expectations of 325,000.

Forthcoming Important Announcements / Events

12 th November 2007 (Monday)	HK	:	Sincere Watch (Hong Kong) (0444) – interim results CIL Holdings (0479) – final results
	US	:	Pending home sales – September 2007
13 th November 2007 (Tuesday)	HK	:	Hong Kong Health Check (0397) – interim results BALtrans Holdings (0562) – final results Man Sang International (0938) – interim results
	US	:	Retail sales – October 2007 Producer price index – October 2007 Business inventory – September 2007 Home Depot Inc – Q3 2007 results Wal-Mart Stores Inc. – Q3 FY2007/08 results
14 th November 2007 (Wednesday)	HK	:	VTech Holdings (0303) – interim results HK Exchanges & Clearing (0388) – Q3 2007 results Artel Solutions (0931) – final results
	US	:	Consumer price index – October 2007 Applied Materials – Q4 FY2006/07 results Macy's, Inc. – Q3 2007 results
15 th November 2007 (Thursday)	HK	:	The Link REIT (0823) – interim results
	US	:	Initial Jobless Claims – the week ended 10 th November 2007 Agilent Technologies Inc. – Q4 FY2006/07 results Starbucks – Q4 FY2006/07 results Tyco International – Q4 FY2006/07 results
16 th November 2007 (Friday)	HK	:	GDP – Q3 2007 – released by the Financial Secretary's Office
	US	:	The Sincere Company (0244) – interim results Industrial production – October 2007

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