



## **XINHUA FINANCIAL NETWORK**

### **China News Summary for Monday, September 17**

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By Staff

#### **MARKETS/ECONOMY**

The benchmark Shanghai Composite Index ended the day up 109.21 points or 2.06 pct at a record 5,421.39, surpassing the previous high of 5,393.66 on Sept 6, led by steel and transport stocks, with investors shrugging off China's latest interest rate hike. Turnover rose to 167.12 bln yuan from 152.13 bln yuan in the previous session. The FTSE/XINHUA

50 Index closed up 312.79 pts at 20,875.40.

China cannot maintain its rapid rates of economic growth if it continues to consume energy at current levels, commerce minister Bo Xilai said.

The Asian Development Bank has raised its 2007 gross domestic product growth forecast for China to 11.2 pct from 10.0 pct on the country's continued economic strength.

The (ADB) also said it raised its growth forecasts for China as it expects exports, investment and consumer spending to fuel expansion in the world's fourth-biggest economy.

China's plan to allow individuals to invest directly in the Hong Kong stock market will be limited to residents of cities where the scheme is being trialled, the official Caijing Magazine reported.

China should make adjusting the distribution of national income a priority to ensure the sustainable development of its economy, said the central bank vice governor Wu Xiaoling. Wu told a forum here that increasing the minimum wage should be one measure taken by the government.

A narrowing China-US interest rate gap will add pressure on the yuan to appreciate, said Yu Yongding, economist at the Chinese Academy of Social Sciences and a former member of central bank's monetary policy committee. Yu said that the central bank should continue with its modest but frequent interest rate increases to tackle inflation.

China Investment Co (CIC), the new fund set up to manage some of China's foreign exchange, is not likely to support central government-controlled firms, the official Caijing magazine reported. Citing sources, the magazine reported that the new investment agency will only work under "market" principles.

The Asian Development Bank said it has revised its 2007 growth projections for Asia's developing economies to 8.3 percent from 7.6 percent earlier, citing solid growth in China and India.

**Chinese companies listed on the New York Stock Exchange have more earnings quality issues than their strong valuations and market cap imply, the Financial Times reported, citing a report by independent research firm RateFinancials. It said the 10 largest Chinese companies, with a total market cap of 750 bln usd and an average price over earnings multiple of 24.7, appear to promise strong growth but suffer from a range of problems, including weak disclosure, indications of earnings management, and insufficient working capital or cash flow.**