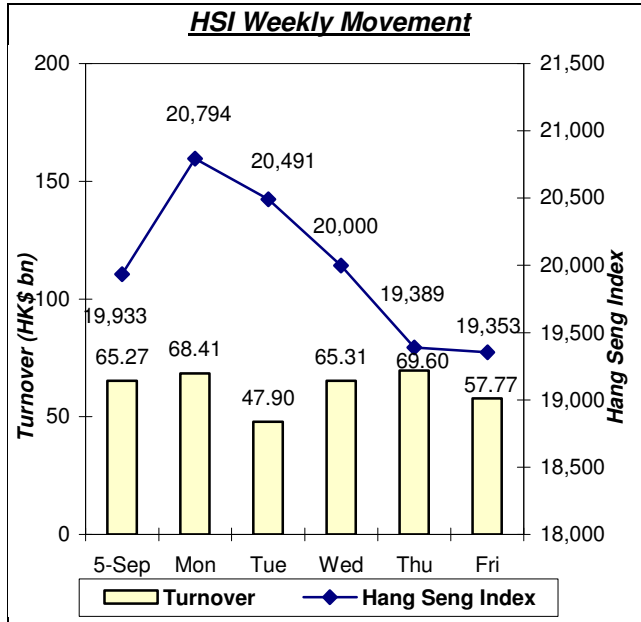




Restricted circulation

Analyst: Sabina Cheng

### HSI closed below 20,000 on fears of a global slowdown



**Weekly Market Statistics**

Week ended	12/9/2008	05/9/2008	Change	%
Hang Seng Index	19,353	19,933	-580	-2.9%
HS Red Chip Index	3,537	3,822	-285	-7.5%
HS China Enterprises Index	9,975	10,696	-721	-6.7%
HS Composite Index	2,615	2,729	-114	-4.2%
HS HK Composite Index	2,178	2,170	+8	+0.4%
HS Mainland Composite Index	3,208	3,454	-246	-7.1%
Growth Enterprise Index	623	667	-44	-6.6%
Avg Daily Turnover (HK\$ bn)	61.8	53.7	+8	+15.2%
<b>Sectoral Indices</b>				
Finance	31,333	31,608	-275	-0.9%
Utilities	43,322	43,001	+321	+0.7%
Properties	22,692	23,768	-1,076	-4.5%
Comm & Ind	9,959	10,517	-558	-5.3%

### Review & Outlook of Market Performance

Hong Kong shares rebounded from a 17-month low on this Monday, lifted by the federal takeover of troubled mortgage lenders - Fannie Mae and Freddie Mac. After the HSI reached a peak on Monday, we saw overwhelming negative news dominated the investment sentiment. On Thursday, Hong Kong shares extended losses to fall to their lowest in nearly 18 months as investors dumped shares in mainland companies amid deepening fears of a global slowdown and a lack of growth-supportive policies from Beijing. However, on Friday, shares of power producers rallied on rumours of a retail electricity price hike in China. Over the week, the Hang Seng Index was down 580.38 points or 2.91% to 19,352.90, while the HSCEI dived 6.74% to 9,975.00. Market volume was up with the daily average of mainboard turnover jumped 15.2% w-o-w to HK\$61.8 billion.

Major negative news flows, which hammered the market sentiment, included weaker-than-expected real estate sales in August from Vanke and China Overseas Land, a record quarterly loss from Lehman Brothers and a further Baltic Dry Index slide. Meanwhile, August CPI in China fell to 14-month at 4.9% and PPI at 10.1%, both were in line with expectation. Over the week, among the worst performed shares in the three major indexes, China Overseas Land, China Shipping Development and Sino-Ocean Land plunged 19.20%, 19.25% and 21.50% and closed at HK\$9.13, HK\$12.08 and HK\$2.52, respectively.

Looking ahead, there should not be any big reverse turn in the stock market in the short-term, as the overall sentiment remains weak. Given that more signs of economic slowdown have been revealing and it appears that nobody is willing to buy stocks at this moment. Nevertheless, any sporadic growth-supportive policies from governments can alleviate the selling pressure in the stock markets in the near-term. We see the Hang Seng Index may test the next support level of 18,800.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.*

**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 September	11,433.71*	2,258.22*	12,214.76	2,573.96	1,043.04	654.34	6,310.68
5th September	11,220.96	2,255.88	12,212.23	2,574.21	1,070.54	645.80	6,307.28
Change	+212.75	+2.34	+2.53	-0.25	-27.50	+8.54	+3.40
%	+1.9%	+0.1%	+0.0%	-0.0%	-2.6%	+1.3%	+0.1%

Remarks: (\*) closing as of 11<sup>th</sup> September 2008**Major Changes in Index Constituent Stocks (Week ended 12<sup>th</sup> September 2008)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @12/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
LI & FUNG	00494	HK\$23.80	+ HK\$1.25	+ 5.54%	The company said on Monday that it would raise HK\$3.9 billion to finance acquisitions by selling 168 million new shares at HK\$23.09 each to a subsidiary of Temasek Holdings.
China Overseas Land	00688	HK\$9.13	-HK\$2.17	-19.20%	The company share price tumbled after saying its property sales in August plummeted 41% m-o-m to HK\$1.13 billion.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @12/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	01138	HK\$12.08	-HK\$2.88	-19.25%	Over the week, shipping shares fell on demand worries. Institutional investors sold the stocks worrying that a slowdown in the mainland economy would further dampen the demand for iron ore and coal. The counter was the worst performed share in the HSCEI.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @12/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino-Ocean Land	03377	HK\$2.52	-HK\$0.69	-21.50%	The company saw a 48% drop in first-half net profit to RMB 542 million, due to a lack of special income to match a disposal gain of RMB 910 million last year. Sales increased 78% to RMB 3.2 billion while gross profit surged 179% to RMB 1.4 billion. The company said it would focus on developing middle-range to high-end homes in the coming years.



## Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale inventories – Jul 2008	+1.4%	There was 1.4% gain in the value of wholesale inventories followed a revised increase of 0.9% in June, led by gains in stockpiles of automobiles, machinery and petroleum as sales fell.
Pending Home Sales Index – Jul 2008	-3.2%	Pending home sales index fell 3.2% after a revised 5.8% gain in June on tighter credit conditions, signalling that the lower demand will keep adding further price cut pressure on unsold properties.
Initial jobless claims – for the week ended 6 <sup>th</sup> September 2008	-6,000	New applications for unemployment benefits fell 6,000 to 445,000 last week that was more than initially reported. Weaker data is expected going forwards on global slowdown.
International trade – July 2008	Trade Deficit: USD 62.2 billion	The deficit rose by 5.7% to USD62.2 billion in July, the highest level in 16 months as oil imports hit an all-time high, offsetting strong exports.

## Forthcoming Important Announcements / Events

15 <sup>th</sup> September 2008 (Monday)	HK	:	Market holiday – the day following Mid-Autumn Festival
	US	:	Industrial production – August 2008
16 <sup>th</sup> September 2008 (Tuesday)	HK	:	<b>Great Eagle Holdings Limited (00041) – interim results</b> Beijing Development (HK) Ltd. (00154) – interim results Little Sheep Group Limited (00968) – interim results Shui On Construction & Materials Ltd. (00983) – interim results China Sunshine Paper Hldgs Co. Ltd. (02002) – interim results Digital Hong Kong (08007) – final results
	US	:	<b>CPI – August 2008</b> Housing market index – September 2008 <b>FOMC announcement – August 2008</b> Adobe Systems – Q3 2008 Best Buy Co., Inc. – Q2 2008 <b>Goldman Sachs – Q3 2008</b>
17 <sup>th</sup> September 2008 (Wednesday)	HK	:	<b>Sino Land Company Limited (00083) – final results</b> Guangzhou Investment Company Ltd. (00123) – interim results Shun Tak Holdings Limited (00242) – interim results <b>Beijing Enterprises Holdings Ltd (00392) – interim results</b> China High Speed Transmission (00658) – interim results Tianyi Fruit Holdings Limited (00756) – interim results A8 Digital Music Holdings Limited (00800) – interim results Hengan International Group Co. Ltd. (01044) – interim results China Aoyuan Property Group Limited (03883) – interim results
	US	:	Current account – Q2 2008 Housing starts – August 2008
18 <sup>th</sup> September 2008 (Thursday)	HK	:	<b>Henderson Land Development (00012) – final results</b> Lippo China Resources Limited (00156) – interim results Soho China Limited (00410) – interim results China Agri-industries Holdings Ltd. (00606) – interim results Midland Holdings Limited (01200) – interim results Emperor Entertainment Group Limited (08078) – final results
	US	:	Initial jobless claims - for the week ended 13 <sup>th</sup> September 2008 Leading indicators – August 2008 Philadelphia Fed Survey – September 2008 FedEx – Q1 2008
19 <sup>th</sup> September 2008 (Friday)	HK	:	SJM Holdings Limited (00880) – interim results Semiconductor Manufacturing Intl Corp (00981) – interim results
	US	:	Quadruple witching



## **Important Disclosure / Analyst Certification / Disclaimer**

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.