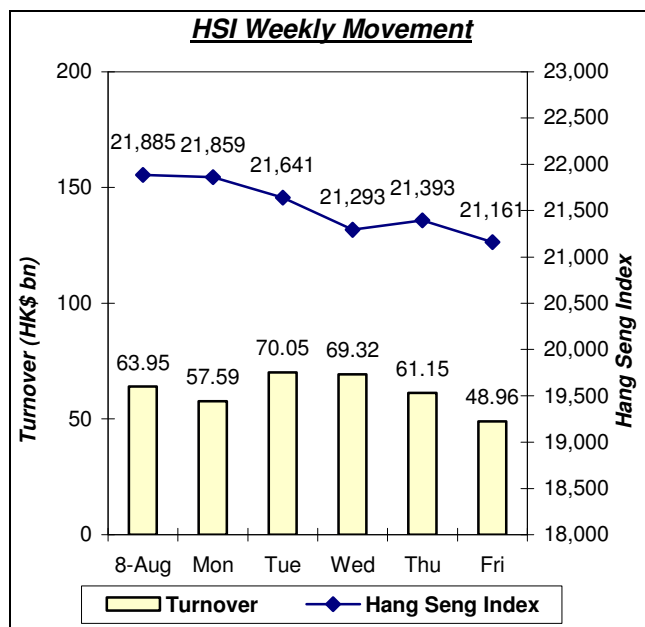


HSI hit one-month low following sell-off in Mainland banks



Weekly Market Statistics				
Week ended	15/8/2008	08/8/2008	Change	%
Hang Seng Index	21,161	21,885	-725	-3.3%
HS Red Chip Index	4,214	4,420	-205	-4.6%
HS China Enterprises Index	11,170	11,742	-572	-4.9%
HS Composite Index	2,912	3,024	-112	-3.7%
HS HK Composite Index	2,329	2,353	-24	-1.0%
HS Mainland Composite Index	3,672	3,881	-209	-5.4%
Growth Enterprise Index	716	747	-31	-4.2%
Avg Daily Turnover (HK\$ bn)	63.9	63.2	+1	+1.2%
Sectoral Indices				
Finance	32,709	34,323	-1,614	-4.7%
Utilities	43,534	42,876	+657	+1.5%
Properties	25,703	25,918	-215	-0.8%
Comm & Ind	11,508	11,861	-354	-3.0%

Review & Outlook of Market Performance

The Hang Seng Index fell for the 2nd straight week, with mixed performances in different market segments. The blue-chip index hit a one-month low at 20,944.54 on Friday, as investors rushed to exit their positions in heavyweight China Mobile and Mainland banking plays for liquidity. Over the week, the HSI lost 724.63 points or 3.3% to close at 21,160.58, while the H-share index fell 4.9% to 11,170.20.

Mainland banking plays were among the big losers, as investors dumped the shares amid fear for weakening credit quality and slowing economic growth in China. A 10% jump in PRC's July producer price index announced on Monday raised alarm on profitability of Chinese manufacturers, leading to worry over souring credit quality in the second half. Top PRC lender ICBC tumbled 9.2% w-o-w, while China Construction Bank (CCB) slumped 9.0%, ending the week as the two biggest losers in the HSI. China Mobile was also battered, as the market was turning more cautious on the Mainland's largest mobile carrier's outlook, ahead of the expected launch of 3G licenses in the 4th quarter. The stock ended below the HK\$100 mark to close at HK\$93.45, down 6.6% from the previous week. Meanwhile, shipping plays and airlines were among the winners, thanks to retreating crude oil prices.

Small caps were also hard hit, following a deep dive in timepiece distributor Peace Mark (#304). There were rumours that major shareholders in the company experienced solvency problems amid the latest global credit crunch and economic slowdown. Solvency rumours also hit swimwear maker Tack Fat, and trading in its shares had been suspended since late July.

The HK stock market is expected to stay volatile, as the earnings season goes on. Investors would turn eyes on results announcements of major Chinese enterprises in order to take a glimpse over the impact of snowstorm, Sichuan earthquake, high energy prices and monetary tightening on their earnings. ICBC and CCB will release their interim results next Thursday and Friday respectively, while Cheung Kong / Hutchison Group will announced their 1H08 results next Thursday. The HSI should continue its near-term weakness, as there should be more conservative earning guidance for the 2nd half from management of major listed companies.

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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 15th August	11,615.93*	2,453.67*	13,019.41	2,800.10	1,095.05	707.48	7,196.50
8th August	11,734.32	2,414.10	13,168.41	2,807.54	1,120.31	690.70	7,209.04
Change %	-118.39 -1.0%	+39.57 +1.6%	-149.00 -1.1%	-7.44 -0.3%	-25.26 -2.3%	+16.78 +2.4%	-12.54 -0.2%

Remarks: (*) closing as of 14th August 2008

Major Changes in Index Constituent Stocks (Week ended 15th August 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @15/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Hong Kong Exchanges and Clearing	00388	HK\$100.20	-HK\$6.80	-6.36%	HKEx saw serious selling pressure after it announced its first-half results, which showed that earnings in Q2 fell from a year earlier, as growth in market turnover slowed down.
Li & Fung	00494	HK\$24.00	-HK\$1.00	-4.00%	Li & Fung announced an 18% rise in interim profit, but it failed to support its share price. In fact, investors disliked the company's aggressive acquisition strategy, which caused a higher gearing.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @15/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	02899	HK\$4.70	-HK\$0.30	-6.00%	Zijin Mining fell sharply to below US\$800/ounce in the Asian trading hours on Friday from a close of US\$855 per ounce last week, amid a stronger US dollar.
ICBC	01398	HK\$5.20	-HK\$0.53	-9.25%	China banking plays fell sharply w-o-w, amid rising fear of weakening credit quality among manufacturers in the Mainland.
China Construction Bank	00939	HK\$6.09	-HK\$0.60	-8.97%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @15/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	00941	HK\$93.45	-HK\$6.65	-6.64%	China Mobile underperformed, as investors continued to take a conservative view over its near-term outlook ahead of the expected launch of 3G licenses in Q4. Investors rushing for liquidity also led to pressure on the counter.



Summary of US Economic News

Indicator	Change/Index	Comments
Trade balance – June 2008	US\$56.8 billion deficit	Trade deficit amounted to US\$56.8 billion in Jun, down from a US\$59.2 billion deficit in May, helped by a 4.1% m-o-m rise in exports.
Retail sales – July 2008	-0.1% m-o-m	Retail sales dipped 0.1% m-o-m in July, matching market expectations. Of all the major categories, auto sales saw the biggest drop of 2.4%, largely dragged by high fuel prices.
Consumer price index – July 2008	+0.8% m-o-m	CPI rose 0.8% in July, down from 1.1% in June but higher than forecast of a 0.4% rise. The higher-than-expected inflation was largely driven by energy costs, which jumped 4% m-o-m. On an annual basis, CPI surged 5.6%, the highest pace in 17 years.
Jobless claims – week ended 9 th August 2008	-10,000	Initial jobless claims fell 10,000 to 450,000 last week, but higher than market expectations of 436,000.

Forthcoming Important Announcements / Events

18 th August 2008 (Monday)	HK	:	Unemployment statistics – May-July 2008 Prosperity REIT (00808) – interim results China Southern Airlines (01055) – interim results China Merchants Bank (03968) – interim results
	US	:	No important announcement/event
19 th August 2008 (Tuesday)	HK	:	Tsingtao Brewery (00168) – interim results Kerry Properties (00683) – interim results China Overseas Land (00688) – interim results PICC P&C (02328) – interim results Hutchison Telecom International (02332) – interim results Shanghai Forte Land (02337) – interim results
	US	:	Producer price index – July 2008 Housing starts – July 2008 Hewlett-Packard – Q3 FY2007/08 results Home Depot – Q2 2008 results
20 th August 2008 (Wednesday)	HK	:	Dah Sing Financial (00440) – interim results ZTE (00763) – interim results China CITIC Bank (00998) – interim results Weichai Power (02338) – interim results Dah Sing Banking (02356) – interim results Xinjiang Xinxin Mining (03833) – interim results
	US	:	No important announcement/event
21 st August 2008 (Thursday)	HK	:	Consumer price index – July 2008 Cheung Kong (Holdings) (0001) – interim results PCCW (00008) – interim results Hutchison Whampoa (00013) – interim results CITIC Financial International Holdings (00183) – interim results ICBC (1398) – interim results China South Locomotive & Rolling Stock (01766) – trading debut
	US	:	Initial jobless claims – week ended on 16 th August 2008 Index of leading economic indicators – July 2008
22 nd August 2008 (Friday)	HK	:	Sinopec (00386) – interim results China Construction Bank (00939) – interim results Yanzhou Coal Mining (01171) – interim results Dalian Port (PDA) Company (02880) – interim results
	US	:	No important announcement/event

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