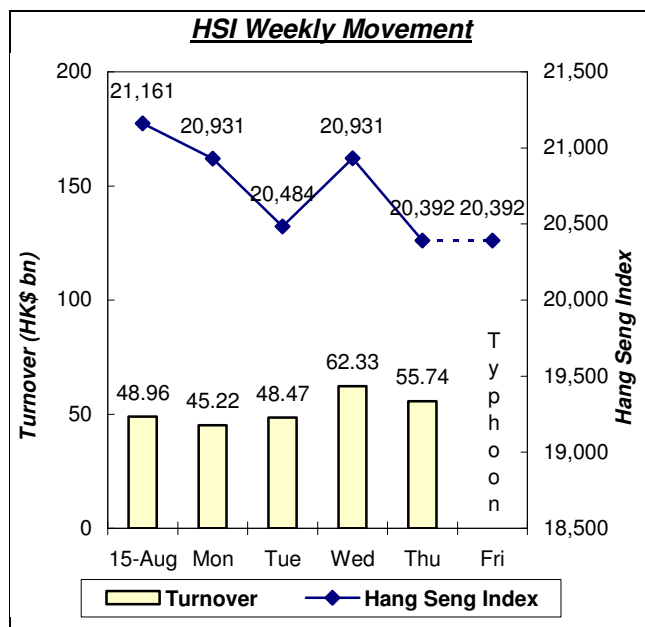


HSI fell to five-month low ahead of the close of Beijing Olympics



Weekly Market Statistics				
Week ended	21/8/2008	15/8/2008	Change	%
Hang Seng Index	20,392	21,161	-769	-3.6%
HS Red Chip Index	4,111	4,214	-104	-2.5%
HS China Enterprises Index	10,917	11,170	-254	-2.3%
HS Composite Index	2,808	2,912	-104	-3.6%
HS HK Composite Index	2,201	2,329	-128	-5.5%
HS Mainland Composite Index	3,588	3,672	-84	-2.3%
Growth Enterprise Index	675	716	-41	-5.7%
Avg Daily Turnover (HK\$ bn)	52.9	63.9	-11	-17.2%
Sectoral Indices				
Finance	31,505	32,709	-1,203	-3.7%
Utilities	43,028	43,534	-506	-1.2%
Properties	24,092	25,703	-1,611	-6.3%
Comm & Ind	11,134	11,508	-373	-3.2%

Review & Outlook of Market Performance

HK stock market was closed on last Friday amid the visit of Typhoon Nuri. During the week, investors continued to dump shares, as fear for the Mainland economy turning weaker after the Beijing Olympic Games intensified. Hong Kong stocks, tracking the Mainland stock market, showed a “dead-cat” bounce on Wednesday, after rumours that Beijing may launch a RMB400 billion package to boost the economy. The lift was short-lived, and both the Mainland and the HK stock markets reversed course and ended near the lowest spot for the week. The Hang Seng Index settled at 20,392.06, down 3.6% from the previous week, while the HSCEI lost 2.3% to 10,916.50.

China led all the way and won the most gold medals in the Beijing Olympic Games. Nonetheless, it did not cheer up investors, as they feared that economic growth in the Mainland may turn weaker after the Games amid high energy costs and sluggish economies in the US and Europe. Shipping, infrastructure, and PRC banking plays all saw decent selling pressure during the week. China COSCO tumbled 7.3% from last week, while China Communications Construction fell 4.4%. In Hong Kong, property developers were among the big losers, as there was little sign that property sales would pick up steam in the near term. New World Development slumped 12.6% this week, while Sino Land lost 11.2%.

HK stocks fell for the third week in a row. We expect investor sentiment to stabilize this week, as the market is expecting Beijing to initiate new policies and sector reform to support the Chinese economy during the post-Beijing Olympics era. The key focus for this week would be on the Mainland mobile and telecom sector, as the Big Four operators will release their 1H08 interim results in the meantime. Comments from the companies’ management will be closely watched, in order to grab further clue on the timing of 3G license launch. For this week, the HK stock market is expected to stay event-driven. The blue-chip index is seen reviving with near term resistance at around 21,000 level.

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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							
22nd August	11,628.06	2,414.71	12,666.04	2,723.30	1,085.60	681.93	6,911.64
15th August	11,659.90	2,452.52	13,019.41	2,800.10	1,095.05	707.48	7,196.50
Change	-31.84	-37.81	-353.37	-76.80	-9.45	-25.55	-284.86
%	-0.3%	-1.5%	-2.7%	-2.7%	-0.9%	-3.6%	-4.0%

Major Changes in Index Constituent Stocks (Week ended 22nd August 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @21/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Foxconn International Holdings	02038	HK\$5.31	-HK\$2.38	-30.95%	Foxconn slumped sharply during the week and was the biggest loser in the blue-chip index, after the company issued a warning of substantial profit drop in the first half due to global economic slowdown.

Hang Seng China Enterprises Index (HSCCI)

Stock	Stock Code	Closing Price @21/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communications Services	00552	HK\$5.70	-HK\$0.60	-9.52%	CCS experienced serious selling pressure on Thursday, after an investment bank recommended investors to take profit on the counter following its recent outperformance.
Huaneng Power	00902	HK\$5.41	-HK\$0.42	-7.20%	The Chinese government has raised on-grid electricity tariff for the second time this year in order to ease operating pressure among power producers.
Datang International Power	00991	HK\$4.67	-HK\$0.15	-3.11%	However, Mainland power producer stocks fell after the news amid weak market sentiment.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @21/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas Land and Investment	00688	HK\$12.26	+HK\$0.52	+4.43%	COLI outperformed the general HK stock market, after the Mainland developer reported a better-than-expected 68.8% profit rise during the first half.



Summary of US Economic News

Indicator	Change/Index	Comments
Producer price index – July 2008	+1.2% m-o-m	PPI rose 1.2% in Jul, largely driven by higher energy prices.
Housing starts – July 2008	-11%	Housing starts tumbled 11% in Jul to an annual rate of 965,000 units, a 17-year low.
Jobless claims – week ended 16 th August 2008	-13,000	Initial jobless claims fell 13,000 last week to 432,000, better than forecast of 438,000.
Index of leading economic indicators – July 2008	-0.7%	Index of leading economic indicators fell 0.7% in July, worse than an expected drop of 0.2%.

Forthcoming Important Announcements / Events

25 th August 2008 (Monday)	HK	:	China Unicom (00762) – interim results China Netcom (00906) – interim results China Railway Construction (01186) – interim results COSCO Pacific (01199) – interim results China Life (02628) – interim results
	US	:	Existing home sales – July 2008
26 th August 2008 (Tuesday)	HK	:	Jiangxi Copper (00358) – interim results Air China (00753) – interim results PetroChina (00857) – interim results Datang International Power (00991) – interim results China COSCO Holdings (01919) – interim results China Shipping Container Lines (02866) – interim results China National Building Material (03323) – interim results Bank of Communications (03328) – interim results
	US	:	Consumer confidence – August 2008 New home sales – July 2008
27 th August 2008 (Wednesday)	HK	:	Wharf (Holdings) (00004) – interim results Wheelock (00020) – interim results Wing Lung Bank (00096) – interim results Esprit Holdings (00330) – final results Dongfeng Group (00489) – interim results TVB (00511) – interim results CNOOC (00883) – interim results Huaneng Power (00902) – interim results China Mobile (00941) – interim results Foxconn International (02038) – interim results Li Ning (02331) – interim results Sinotruk (03808) – interim results
	US	:	Orders for durable goods – July 2008
28 th August 2008 (Thursday)	HK	:	External trade – July 2008 CITIC Pacific (00267) – interim results China Telecom (00728) – interim results BOC (Hong Kong) (02388) – interim results China Oilfield Services (02883) – interim results Bank of China (03988) – interim results
	US	:	Initial jobless claims – week ended on 23 rd August 2008 GDP (preliminary) – Q2 2008 Dell, Inc. – Q2 FY2008/09 results
29 th August 2008 (Friday)	HK	:	China Railway Group (00390) – interim results China Shenhua Energy (01088) – interim results Chalco (02600) – interim results
	US	:	Personal income and spending – July 2008 Consumer sentiment (revised) – August 2008

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