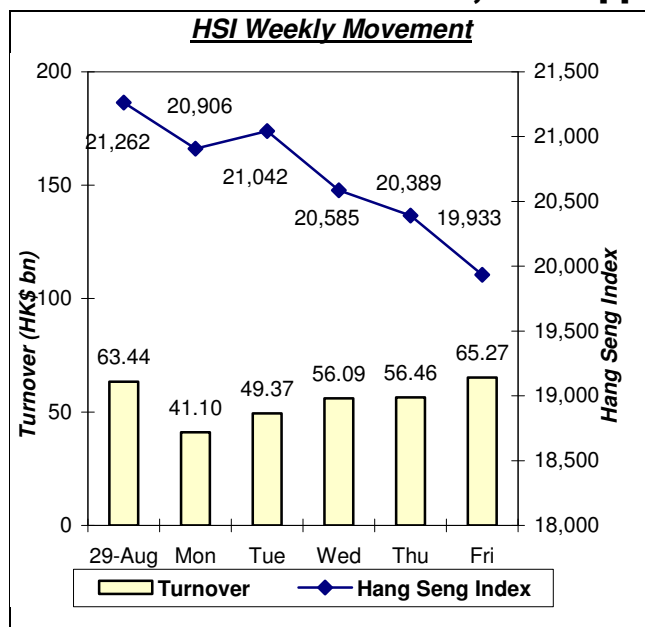


## 20,000 support level broken



<b>Weekly Market Statistics</b>				
Week ended	05/9/2008	29/8/2008	Change	%
Hang Seng Index	19,933	21,262	-1,329	-6.2%
HS Red Chip Index	3,822	4,175	-353	-8.5%
HS China Enterprises Index	10,696	11,664	-969	-8.3%
HS Composite Index	2,729	2,926	-197	-6.7%
HS HK Composite Index	2,170	2,283	-113	-5.0%
HS Mainland Composite Index	3,454	3,748	-294	-7.8%
Growth Enterprise Index	667	690	-24	-3.4%
Avg Daily Turnover (HK\$ bn)	53.7	58.9	-5	-9.0%
<b>Sectoral Indices</b>				
Finance	31,608	33,366	-1,758	-5.3%
Utilities	43,001	42,553	+449	+1.1%
Properties	23,768	26,257	-2,489	-9.5%
Comm & Ind	10,517	11,364	-847	-7.5%

## Review & Outlook of Market Performance

Hong Kong shares fell 4 out of 5 trading sessions this week, with the main index hitting over one-year low, tracking the sell-off on Wall Street as fears grew about the state of the global economy. The HSI finished the week sharply lower, losing 1,328.6 points, or 6.3% w-o-w, to 19,933.3. Trading was even more subdued this week as average daily turnover dropped to HK\$53.659 billion this week from HK\$58.946 billion a week earlier.

HSCEI lagged behind with an 8.3% w-o-w decline to 10,695.9, dragged by weak performance of shipping and infrastructure stocks. Shipping shares such as China COSCO (01919.HK) and China Shipping Development (01138.HK) tracked losses in the Baltic Dry Index, which fell to a 7-month low on deepening concern over a global economic slowdown. Among the HSCEI constituent stocks, China Communications Construction (01800.HK) was the worst performer, plunging 23.2% w-o-w, as 4 brokerage houses downgraded their recommendations on the company simultaneously, on potential earnings disappointment amid high raw material prices, capacity constraint and weakening infrastructure demand.

Despite a week of hefty losses, there was a surprising M&A deal on China Huiyuan Juice (01886.HK), China's leading fruit and vegetable juice producer. Huiyuan's shares soared 132% w-o-w on Coca-Cola's takeover with cash offer at HK\$12.20 per share, a 195% premium over the closing price of HK\$4.14 prior to the takeover announcement. Subject to Chinese regulatory approval, the acquisition would be the biggest foreign takeover of a company in the Asian country.

Interim results announcements are drawing near to an end with only a few major results announcements remaining. Sun Hung Kai Properties will release its interim results next Thursday and HK & China Gas's results will be announced on Friday. Looking forward into next week, the local bourse should still track the performance on Wall Street. We see the market sentiment will remain in a weak tone and the HSI is expected to trade below 20,000.

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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							
5th September	11,188.23*	2,259.04*	12,212.23	2,574.21	1,070.54	645.80	6,307.28
29th August	11,543.55	2,367.52	13,072.87	2,739.95	1,100.50	684.44	7,046.11
Change	-355.32	-108.48	-860.64	-165.74	-29.96	-38.64	-738.83
%	-3.1%	-4.6%	-6.6%	-6.0%	-2.7%	-5.6%	-10.5%

Remarks: (\*) closing as of 4<sup>th</sup> September 2008

## Major Changes in Index Constituent Stocks (Week ended 5<sup>th</sup> September 2008)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @5/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$10.44	- HK\$1.62	- 13.43%	Offshore oil producer CNOOC was dragged as crude oil held below \$110 per barrel after fears that Hurricane Gustav would disrupt production on the US coast receded.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @5/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Communication Construction	01800	HK\$10.26	- HK\$3.10	- 23.20%	The shares were sharply lower after Deutsche Bank, CLAS, JPMorgan and Citigroup simultaneously cut their target prices on the company, on worries over its earning prospects.
China COSCO	01919	HK\$12.06	- HK\$2.98	- 19.81%	Shares in China COSCO, the country's largest shipping firm, tracked fall in the Baltic Dry Index, which dropped to a 7-month low, on worries over a global economic slowdown and weaker Chinese demand for materials.

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

Stock	Stock Code	Closing Price @5/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Electronic	00285	HK\$3.18	+ HK\$0.18	+ 6.00%	BYD Electronic was the rare gainer this week as JPMorgan pointed out that the company fared much better than its largest rival, FIH (02038.HK) due to the much stronger top-line growth momentum in 1H08, which allowed higher economy of scale to mitigate gross margin pressure.



## Summary of US Economic News

Indicator	Change/Index	Comments
ISM Non-Mfg Survey – Aug 2008	50.6	The ISM's non-manufacturing report for August showed a mild 1.1 point improvement to 50.6, higher than expected 50.0. But the reading of employment was the worst news in the report, down 1.7 points to 45.4 indicating deepening contraction and future weakness in employment.
Personal Income and Outlays – Jul 2008		The July personal income report showed a drop in income tax rebates pulling down overall income, while spending was moderated by a sharp dip in motor vehicle purchases (0.2% rise vs 0.6% hike in June). The report showed the consumer sector was on an increasingly shaky ground as inflation had been eating away consumer income and spending.
Personal Income – M/M change	-0.7%	
Consumer Spending – M/M change	+0.2%	
Initial jobless claims – week ended on 30 <sup>th</sup> August 2008	444,000	Initial jobless claims jumped 15,000 this week to a much higher-than-expected level of 444,000. That broadly missed expectations for a 4 <sup>th</sup> -straight week of declines.

## Forthcoming Important Announcements / Events

8 <sup>th</sup> September 2008 (Monday)	HK	:	Guoco Group (00053) – Final results China Communications Services (00552) – Interim results Franshion Properties (China) (00817) – Interim results China Infrastructure Machinery (03339) – Interim results Greentown China (03900) – Interim results
	US	:	No important announcement/ event
9 <sup>th</sup> September 2008 (Tuesday)	HK	:	China Travel (00308) – Interim results China Huiyuan Juice (01886) – Interim results Sino Ocean Land (03377) – Interim results
	US	:	Wholesale Trade – Jul 2008 Pending Home Sales Index – Jul 2008
10 <sup>th</sup> September 2008 (Wednesday)	HK	:	Hong Kong and Shanghai Hotels (00045) – Interim results Hopewell Holdings (00054) – Final results Regal Hotels International (00078) – Interim results K. Wah International (00173) – Interim results Century City International (00355) – Interim results GZI Transport (01052) – Interim results Belle International (01880) – Interim results Agile Property (03383) – Interim results
	US	:	No important announcement/ event
11 <sup>th</sup> September 2008 (Thursday)	HK	:	Sun Hung Kai Properties (00016) – Final results China Everbright International (00257) – Interim results Taifook Securities (00665) – Interim results Tianjin Development Holdings (00882) – Interim results
	US	:	Initial jobless claims – week ended on 6 <sup>th</sup> September 2008 Import and Export Prices – Aug 2008 International Trade – Jul 2008 Campell Soup – Q4 2008 earnings release
12 <sup>th</sup> September 2008 (Friday)	HK	:	HK & China Gas (00003) – Interim results Sun Hung Kai & Co (00086) – Interim results Guangdong Investment (00270) – Interim results
	US	:	Producer Price Index – Aug 2008 Retail Sales – Aug 2008



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