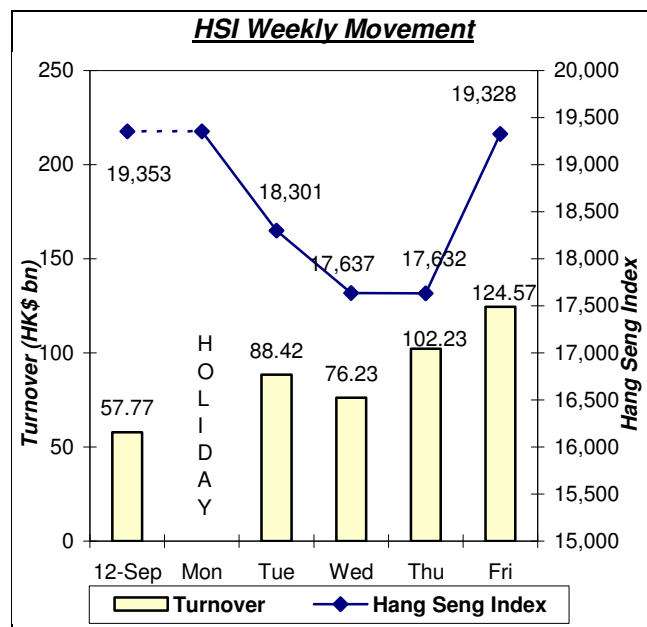


A roller-coaster week amid global turbulence



Weekly Market Statistics				
Week ended	19/9/2008	12/9/2008	Change	%
Hang Seng Index	19,328	19,353	-25	-0.1%
HS Red Chip Index	3,755	3,537	+218	+6.2%
HS China Enterprises Index	9,975	9,975	-0	-0.0%
HS Composite Index	2,601	2,615	-14	-0.5%
HS HK Composite Index	2,111	2,178	-67	-3.1%
HS Mainland Composite Index	3,248	3,208	+39	+1.2%
Growth Enterprise Index	564	623	-58	-9.4%
Avg Daily Turnover (HK\$ bn)	97.9	61.8	+36	+58.4%
Sectoral Indices				
Finance	31,257	31,333	-76	-0.2%
Utilities	41,144	43,322	-2,178	-5.0%
Properties	22,296	22,692	-396	-1.7%
Comm & Ind	10,074	9,959	+115	+1.2%

Review & Outlook of Market Performance

At the beginning of this week, Hong Kong stocks were in full retreat, sparked by the collapse of Lehman Brothers, the end of Merrill Lynch as an independent firm (to be purchased by the Bank of America) and the slash of the credit rating of AIG. Even the Beijing's move on Monday to cut lending rates and reduce banks' reserve requirement ratio - aimed at bolstering the mainland economy - was not enough to offset the negative impact of the shake-up on Wall Street. The benchmark Index continued to dive to a 26-month low of 16,283 points till Thursday before staging an amazing recovery to close flat, as investors speculated that China would take steps to boost the market. Beijing announced on Thursday measures to prop up ailing stock markets, saying it would scrap stamp duty on stock purchases and buy shares in the top three commercial banks (ICBC, CCB and BOC) in the secondary market to revive investor confidence.

Major Central Banks acted collectively and pumped in short-term liquidity of US\$180 billion to global markets, temporarily freeing up the inter-bank rates. The HK Monetary Authority also injected HK\$1.56 billion of liquidity after the HIBOR rocketed to an 11-month high. As a result, a late rally on Friday helped the HSI close at 19,328, down a meagre of 0.13% w-o-w while the HSCEI finish flat w-o-w at 9,975. The average daily turnover was HK\$97.9 billion, much higher than that of HK\$61.8 billion in the previous week.

Over the week, the credit market turmoil completely showed its overwhelming financial impacts – the bankruptcy of Lehman Brothers, BOA taking over Merrill Lynch, nationalisation of AIG, and Lloyds TSB taking over HBOS. In addition, possible merger talks rumours included Morgan Stanley merging with Wachovia, Citigroup and HSBC Holdings would be merged.

Despite the strong rebound on Friday, we believe the pessimistic market sentiment has not fully reversed. Investors' confidence should be quite fragile at the moment and we see the interim support level for the HSI should be around 18,500 to 18,800. Any further negative events on financial conglomerates would undoubtedly trigger another round of global sell-off.

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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							
19th September	11,019.69*	2,199.10*	11,920.86	2,559.07	1,025.70	624.83	5,970.38
12th September	11,421.99	2,228.00	12,214.76	2,570.67	1,044.03	654.34	6,310.68
Change	-402.30	-28.90	-293.90	-11.60	-18.33	-29.51	-340.30
%	-3.5%	-1.3%	-2.4%	-0.5%	-1.8%	-4.5%	-5.4%

Remarks: (*) closing as of 18th September 2008

Major Changes in Index Constituent Stocks (Week ended 19th September 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @19/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	00762	HK\$12.14	+HK\$0.92	+8.20%	China Unicom's proposed merger with China Netcom was approved by shareholders of both companies on Wednesday.
China Netcom	00906	HK\$18.16	+HK\$1.24	+7.33%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @19/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	02899	HK\$4.04	+HK\$0.52	+14.77%	Amid the US financial crisis, gold has become an investment shelter this week and the futures price of gold surged US\$70 to US\$850.50 on Wed, the sharpest single-day jump in more than 8 years.
R&F Properties	02777	HK\$8.65	-HK\$1.03	-10.64%	Lehman Brothers holds a stake in R&F Properties, whose shares were dumped after the investment bank filed for bankruptcy protection Monday.
China Communications Construction	01800	HK\$8.00	-HK\$9.00	-11.11%	The company posted a disappointing 1H net profit of RMB2.20b, down 20% from a year earlier, due mainly to lower profit margins and smaller extraordinary income.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @19/9/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas	00688	HK\$9.65	+HK\$0.52	+5.70%	The company was in talks to sell certain non-core assets. Also, analysts expected it would have more than 20 projects on sale in September and October that could give a rebound in property sales.



Summary of US Economic News

Indicator	Change/Index	Comments
FOMC Meeting Announcement Federal Funds Rate – Target Level	2.0%	The Fed surprised the markets by keeping the fed funds target rate unchanged at 2.0% with a vote of 10-0. The Fed remains guardedly optimistic that economic growth will return to normal by 2010.
Consumer Price Index – Aug 2008	-0.1%	Consumer price inflation in August eased sharply. Pulling the overall CPI down was a monthly drop of 3.1% in the energy component, after a 4.0% boost the month before. But food inflation remained quite elevated with a 0.6% increase, following a 0.9% surge in July. Higher production costs are still feeding into food production.
Initial jobless claims – for the week ended 6 th September 2008	+10,000	First-time jobless claims rose 10,000 this week to a roughly 455,000. The four-week average rose 5,000 to 445,000. The Labour Department claimed that first-time claims would have fallen in the week excluding a jump in filings from Louisiana, the result of Hurricane Gustav.
Housing Starts – Aug 2008	-6.2%	Housing starts in August continued its downward spiral as tight credit and bloated supplies of unsold homes continued to depress new construction. Housing starts fell 6.2%, following a 12.4% drop in July.

Forthcoming Important Announcements / Events

22 nd September 2008 (Monday)	HK	:	China Foods (00506) – Interim results Shenzhen Investment (00604) – Interim results China Rare Earth Holdings (00769) – Interim results Lingbao Gold (03330) – Interim results
	US	:	AutoZone – Q4 2008 earnings release
23 rd September 2008 (Tuesday)	HK	:	Shanghai Industrial Holdings (00363) – Interim results China Properties Group (01838) – Interim results
	US	:	State Street Investor Confidence Index – September 2008
24 th September 2008 (Wednesday)	HK	:	Kowloon Development Company (00034) – Interim results Hantec Investments (00111) – Interim results Tanrich Financial (00812) – Final results Neo-Neon Holdings (01868) – Interim results
	US	:	Existing Home Sales – August 2008 Nike – Q1 2009 earnings release Bed Bath & Beyond – Q2 2008 earnings release Paychex – Q1 2009 earnings release
25 th September 2008 (Thursday)	HK	:	Grand Field Group (00115) – Interim results Shimao Property (00813) – Interim results
	US	:	Initial jobless claims - for the week ended 20 th September 2008 Durable Goods Orders – August 2008 New Home Sales – August 2008 McCormick & Company – Q3 2008 earnings release Discover Financial Services – Q3 2008 earnings release
26 th September 2008 (Friday)	HK	:	Poly (Hong Kong) Investments (00119) – Interim results Wing On Travel (01189) – Interim results
	US	:	Gross Domestic Product – Q2 2008 KB Home – Q3 2008 earnings release



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