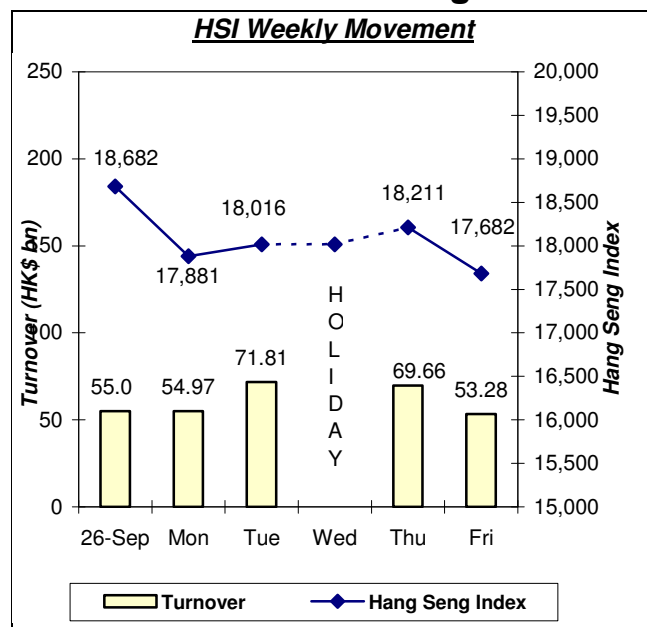


HSI closed lower on tight credit markets and weak US economic data



Weekly Market Statistics				
Week ended	03/10/2008	26/9/2008	Change	%
Hang Seng Index	17,682	18,682	-1,000	-5.4%
HS Red Chip Index	3,451	3,549	-98	-2.8%
HS China Enterprises Index	9,013	9,589	-576	-6.0%
HS Composite Index	2,366	2,486	-120	-4.8%
HS HK Composite Index	1,923	2,040	-117	-5.7%
HS Mainland Composite Index	2,952	3,081	-130	-4.2%
Growth Enterprise Index	547	561	-14	-2.5%
Avg Daily Turnover (HK\$ bn)	62.4	64.4	-2	-3.1%
Sectoral Indices				
Finance	29,416	30,840	-1,424	-4.6%
Utilities	41,939	41,205	+734	+1.8%
Properties	18,629	20,669	-2,040	-9.9%
Comm & Ind	8,961	9,553	-592	-6.2%

Review & Outlook of Market Performance

Starting the week, property stocks tumbled after the HSBC's rate hike for new mortgages. On Tuesday, the HSI experienced a V-shape rebound to close above 18,000 level following the shocked vote down of the financial rescue plan in the U.S. After the Chinese National Day holiday, on Thursday, Hong Kong shares clawed back early losses to end higher with share prices of mainland property developers rebounded on government support hopes. On Friday, Hong Kong shares fell again on weak US job data and lower oil prices. Over the week, the Hang Seng Index was down 999.69 points or 5.35% to 17,682.40, while the HSCEI dived 6% to 9,013.27. Market volume was down with the daily average of mainboard turnover dropped 3.1% w-o-w to HK\$62.428 billion.

On Tuesday, HKMA introduced emergency measures to ease the liquidity crunch in the interbank market. Market's initial reaction was positive. Meanwhile, among the stocks which were under the spotlight this week, BYD Electronic surged more than 2.5 times in value since Warren Buffett's Berkshire Hathaway bought a 10% stake in its parent. The counter slid 18.89% on profit taking on Friday, closing the week up 109.77% at HK\$3.65. Hang Seng Bank plunged 16.53% w-o-w and closed at HK\$123.7 after news reported that the bank may have to make provisions for its investment securities issued by Washington Mutual. However, we expect Hang Seng Bank's exposure in Washington Mutual should not be significant, probably less than US\$100 million. Ping An shares soared by 5.26% w-o-w after dropping the Fortis deal. China Resources Logic soared by 23.91% w-o-w after it said it would buy 22 urban gas projects from its parent and seek to invest in an industry rival after it acquires China Resources Gas this month.

Looking ahead, given that the US stock markets slid on Thursday on tight credit markets and bleak economic data despite that the Senate had approved a historic US\$700 billion bailout plan for the US's financial industry a day before, it indicates that investors still fear that the US economy would run into recession even with the rescue plan approved by lawmakers by this week. Amid such latest global financial market turmoil we see the HSI may test a low level of below 17,000 in the near-term.

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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							
3rd Octpber	10,482.85*	1,975.72*	10,938.14	2,295.00	1,017.60	590.05	5,742.23
26th September	11,143.13	2,183.34	11,893.16	2,411.46	1,020.53	618.97	5,929.63
Change	-660.28	-207.62	-955.02	-116.46	-2.93	-28.92	-187.40
%	-5.9%	-9.5%	-8.0%	-4.8%	-0.3%	-4.7%	-3.2%

Remarks: (*) closing as of 2nd October 2008

Major Changes in Index Constituent Stocks (Week ended 3rd October 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @3/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Hang Seng Bank	00011	HK\$123.7	-HK\$24.5	-16.53%	Hang Seng Bank plunged 16.53% w-o-w and closed at HK\$123.7 after news reported that the bank may have to make provisions for its investment securities issued by Washington Mutual.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @3/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Railway	00390	HK\$5.83	+HK\$0.94	+19.22%	Merrill Lynch (ML) gave a 'Buy' rating on the counter with a price objective of HK\$5.92, saying that the company, as the largest railway contractor in China, has been well positioned for soaring domestic railway and metropolitan railway spending. ML also expected that the margin of domestic railway construction would bottom out on rising new contract prices from Ministry of Railway.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @3/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Electronic	00285	HK\$3.65	+HK\$1.91	+109.77%	BYD Electronic surged more than 2.5 times in value since Warren Buffett's Berkshire Hathaway bought a 10% stake in its parent. It slid 18.89% on profit taking on Friday.



Summary of US Economic News

Indicator	Change/Index	Comments
Personal spending – August 2008	Unchanged	Personal spending was flat in Aug 08 after a revised 0.1% gain in July 08.
Personal income – August 2008	+0.5%	Personal incomes rose 0.5%, reversing July's revised 0.6% drop.
Consumer confidence – September 2008	59.8	Consumer confidence index rose unexpectedly to 59.8, a third consecutive increase, from 58.5 in the previous month as response of the confidence survey arrived before the intensification of the credit crisis and the stock plunge.
Construction spending – August 2008	Unchanged	Construction spending was unchanged in Aug 08, which was stronger-than-forecast followed a revised 1.4% drop for July 08 with private residential building increased for the first time since March 2007 while work on commercial projects fell for a fourth month.
ISM manufacturing index – September 2008	43.5	The ISM manufacturing index fell to 43.5 from 49.9 in August, the lowest level since October 2001 and below economists' forecasts.
Initial jobless claims – the week ended 27 th September 2008	+1,000	Initial jobless claims increased 1,000 to 497,000 from a revised 496,000 in the prior week. It was the highest level in 7 years as more Americans were thrown out of job in the aftermath of the Gulf Coast hurricanes and employers cut staff after slowing demand. The 4-week moving average of initial claims climbed to 474,000 from 462,500.
Factory orders – August 2008	-4%	Factory orders dropped 4% which was larger than forecast and followed a revised 0.7% increase in July, signalling business spending slowed down before the recent worsening of the credit crunch.

Forthcoming Important Announcements / Events

6 th October 2008 (Monday)	HK	:	New World Mobile Holdings Limited (00862) – final results
	US	:	No important announcement/event
7 th October 2008 (Tuesday)	HK	:	Chung Yeung Festival – market holiday
	US	:	FOMC minutes – September 2008 Alcoa Inc – Q3 2008 results
8 th October 2008 (Wednesday)	HK	:	NWS Holdings Limited (00659) – final results
	US	:	Pending home sales index – August 2008
9 th October 2008 (Thursday)	HK	:	New World Department Store China Ltd (00825) – final results
	US	:	Jobless claims – the week ended 4 th October 2008 Wholesale trade – August 2008 Chevron – interim and Q3 2008 results
10 th October 2008 (Friday)	HK	:	Cheuk Nang (Holdings) Limited (00131) – final results Nine Dragons Paper (Holdings) Ltd. (02689) – final results abc Multiactive Limited (08131) – Q3 2008 results
	US	:	Import and export prices – September 2008 International trade – August 2008 General Electric – Q3 2008 results Host Hotels & Resorts Inc. – Q3 2008 results



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