

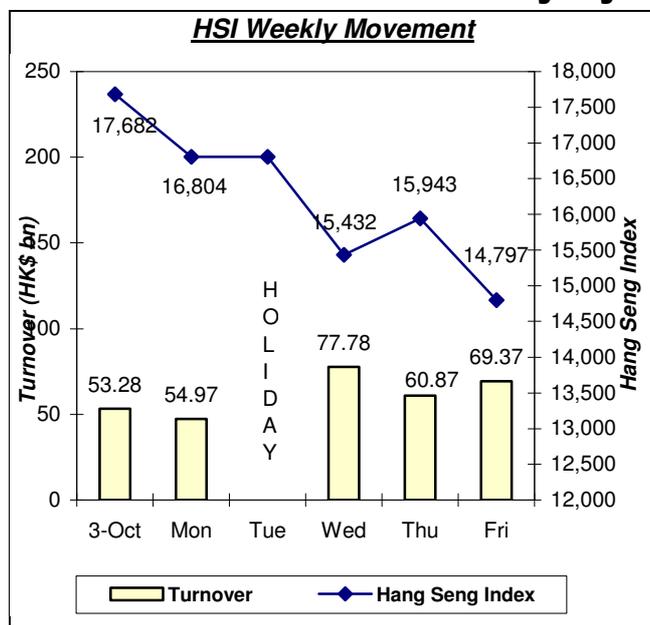
**Restricted circulation**

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**Weekly Report**

 10<sup>th</sup> October 2008

### HSI dived to a nearly 3-yr low despite rescue measures



**Weekly Market Statistics**

Weekended	10/10/2008	03/10/2008	Change	%
Hang Seng Index	14,797	17,682	-2,886	-16.3%
HS Red Chip Index	2,855	3,451	-596	-17.3%
HS China Enterprises Index	7,136	9,013	-1,877	-20.8%
HS Composite Index	1,960	2,366	-406	-17.2%
HS HK Composite Index	1,647	1,923	-276	-14.4%
HS Mainland Composite Index	2,390	2,952	-562	-19.0%
Growth Enterprise Index	457	547	-91	-16.5%
Avg Daily Turnover (HK\$ bn)	63.8	62.4	+1	+2.2%
<b>Sectoral Indices</b>				
Finance	25,089	29,416	-4,328	-14.7%
Utilities	36,997	41,939	-4,942	-11.8%
Properties	14,723	18,629	-3,906	-21.0%
Comm & Ind	7,354	8,961	-1,607	-17.9%

#### Review & Outlook of Market Performance

Kicking off the week, markets tumbled across the globe on worries over the stability of the global financial system, driving Hong Kong shares to sink below 17,000 points for the first time in more than two years. Nevertheless, the sell-off was far from the end, as the financial crisis continuously fuelled panic selling on Wednesday and Friday, leading the benchmark index to plunge 8.2% and 7.19% respectively. The HSI eventually landed the week at 14,796.87, down 16.3% or 2,885.53 points, its worst weekly percentage drop since the market meltdown in January 1998. Average daily market turnover increased to HK\$63.8 billion, compared with HK\$62.4 billion in the previous week.

For the sake of providing additional liquidity to the global markets, the US Federal Reserve, the European Central Bank and the central banks of Canada, Britain, Sweden, Switzerland and China all reduced their benchmark rates by 0.25% to 0.5%. The HKMA also announced to cut its base rate by 1 percentage point to contain a sharp rise in inter-bank rates. However, the co-ordinated interest rate cut by central banks around the world did not seem to lend any support to the stock markets.

During the week, Hong Kong retailer U-Right International Holdings (00627) went into liquidation after failing to repay debts of at least HK\$1.4 billion. The company became the third collapsed Hong Kong-listed retailer following luxury watch retailer Peace Mark (Holdings) (00304) and swimwear maker Tack Fat Group International (00928), amid the spiralling financial meltdown. The collapse of the retailers sparked the speculation that the Hong Kong economy is tipping into recession.

Looking forward into next week, investors should keep a close eye on the possible remedies proposed by G20 group meeting held at weekend and the Chief Executive's annual policy address next week. However, performance of the local market should continue to track the Wall Street. The HSI has dropped 20.8% for the past 2 weeks, and the market may experience a technical rebound soon. But the near term upside of the market may be capped at 16,000 as the financial crisis is still far from resolved.

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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 10th Octpber	8,579.19*	1,645.12*	8,276.43	1,948.33	934.01	451.96	5,130.71
3rd Octpber	10,482.85	1,975.72	10,938.14	2,297.12	1,016.70	590.05	5,742.23
Change	-1,903.66	-330.60	-2,661.71	-348.79	-82.69	-138.09	-611.52
%	-18.2%	-16.7%	-24.3%	-15.2%	-8.1%	-23.4%	-10.6%

Remarks: (\*) closing as of 9<sup>th</sup> October 2008

## Major Changes in Index Constituent Stocks (Week ended 10<sup>th</sup> October 2008)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @10/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$5.90	-HK\$2.43	-29.17%	Energy shares fell as oil prices tumbled amid worries that a growing credit crisis would fail to stave off a sharper decline in oil demand.
PetroChina	00857	HK\$6.00	-HK\$1.71	-22.18%	

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Coal	01898	HK\$4.98	-HK\$3.02	-37.75%	China National Coal Group Corp, the parent of Hong Kong-listed China Coal Energy, recorded slowing profit growth in the third quarter on weaker domestic demand. Moreover, the benchmark coal prices declined for a seventh week, to a six-month low amid the slump of crude oil price.
Chalco	02600	HK\$3.29	-HK\$1.21	-26.89%	The country's largest aluminum producer said in its filing with the Shanghai Stock Exchange on Monday that its net profit for the third quarter would drop over 50% from a year earlier. Chalco attributed the decline to the increased raw material and energy costs, as well as the falling aluminum prices.

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

Stock	Stock Code	Closing Price @10/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotrans Shipping	00368	HK\$1.44	-HK\$0.86	-37.39%	The Baltic Dry Index, a measure of commodity-shipping rates, dropped 16.6% over the week, bringing this year's plunge to 73%.
COSCO Pacific	01199	HK\$6.30	-HK\$2.60	-29.21%	

**Summary of US Economic News**

<b>Indicator</b>	<b>Change/Index</b>	<b>Comments</b>
Employment Situation – Sep 2008	-159,000	The September jobs report was quite gloomy with payroll losses sharply exceeding expectations. Non-farm payroll employment in September dropped another 159,000, following a decrease of 73,000 in August and a decline of 67,000 in July. Thus far, payroll jobs have fallen every month of 2008. The September drop in jobs was worse than the consensus forecast for a 100,000 decrease.
ISM Non-Mfg Survey – Sep 2008	50.2	In complete contrast with the manufacturing report on previous Wednesday, ISM's non-manufacturing report indicated steady conditions with the headline composite index little changed, down only 0.4 to a 50.2. The good reading may limit conclusions that the economy is in recession.
Initial jobless claims – the week ended 4 <sup>th</sup> October 2008	-20,000	First-time claims for the Oct 4 <sup>th</sup> week fell back 20,000 to 478,000, near the four-week average of 482,500. Despite the weekly decline is the first in four weeks, the readings are still at recessionary levels. Employment outlook is still troubling, hurt by slowing economic growth and rising layoffs in the financial sector.

**Forthcoming Important Announcements / Events**

13 <sup>th</sup> October 2008 (Monday)	HK	:	New World China Land (00917) – Final results
	US	:	US Holiday – Columbus Day
14 <sup>th</sup> October 2008 (Tuesday)	HK	:	New World Development (00017) – Final results
	US	:	Intel – Q3 2008 earnings release PepsiCo – Q3 2008 earnings release Johnson & Johnson – Q3 2008 earnings release
15 <sup>th</sup> October 2008 (Wednesday)	HK	:	Renhe Commercial (01387) – Trading debut (Likely to delay the pricing and trading of its shares amid weak market sentiment)
	US	:	Producer Price Index – September 2008 Retail Sales – September 2008 Coca-Cola – Q3 2008 earnings release JPMorgan Chase – Q3 2008 earnings release Marshall & Ilsley – Q3 2008 earnings release
16 <sup>th</sup> October 2008 (Thursday)	HK	:	Golden Harvest Entertainment (01132) – Final results
	US	:	Jobless claims – the week ended 11 <sup>th</sup> October 2008 Consumer Price Index – September 2008 Industrial Production – September 2008 Capital One Financial – Q3 2008 earnings release Southwest Airline – Q3 2008 earnings releases
17 <sup>th</sup> October 2008 (Friday)	HK	:	China Motor Bus (00026) – Final results Dynamic Holdings (00029) – Final results
	US	:	Housing Starts – September 2008



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