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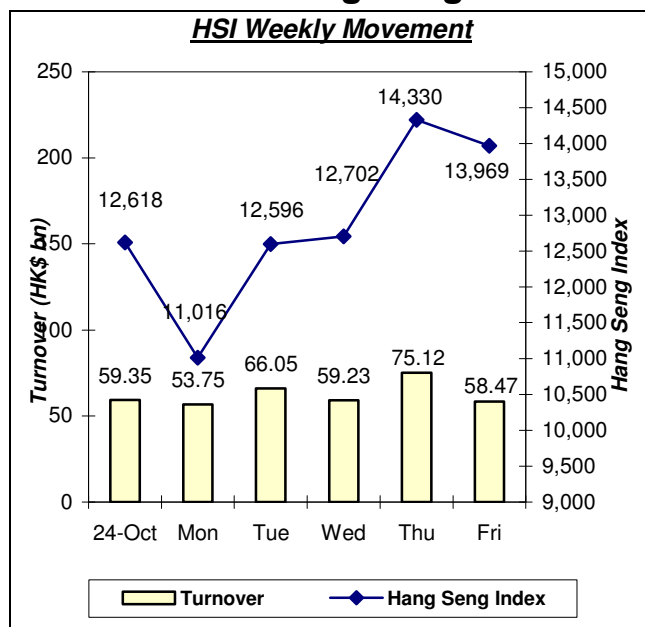
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report31st October 2008**Hong Kong stocks staged a dramatic rebound**

Weekly Market Statistics				
Week ended	31/10/2008	24/10/2008	Change	%
Hang Seng Index	13,969	12,618	+1,350	+10.7%
HS Red Chip Index	2,963	2,537	+426	+16.8%
HS China Enterprises Index	6,611	5,803	+808	+13.9%
HS Composite Index	1,862	1,668	+194	+11.6%
HS HK Composite Index	1,501	1,426	+75	+5.2%
HS Mainland Composite Index	2,334	2,009	+325	+16.2%
Growth Enterprise Index	365	382	-17	-4.5%
Avg Daily Turnover (HK\$ bn)	63.1	54.2	+9	+16.4%
Sectoral Indices				
Finance	21,916	20,279	+1,637	+8.1%
Utilities	34,262	32,436	+1,826	+5.6%
Properties	16,391	15,455	+936	+6.1%
Comm & Ind	7,344	6,331	+1,013	+16.0%

Review & Outlook of Market Performance

As investors continued to focus on the negative economic effects of the financial crisis, the Hong Kong stock market plummeted 12.7% on Monday, the biggest % drop since the Asian financial crisis in 1997. The index even hit an intraday low of 10,676.29, to its lowest level in 4 years. The heavyweight HSBC Holdings also plunged 14.8% to HK\$75, back to its share prices in 2001. Nevertheless, the stocks staged a dramatic rebound on both Tuesday and Thursday, rising 14.3% and 12.8% respectively. The HSI finished the week at 13,969, up 1,350 points or 10.7% w-o-w. Average daily turnover was HK\$63.14 billion.

A new round of rate cuts was kicked off this week. The US cut the Fed funds rate to 1%, the lowest since June 2004, to prevent the widening credit crisis from dragging the US economy into a deep recession. Bank of Japan also slashed its key interest rate for the first time in more than seven years, joining central banks around the world in trimming borrowing costs. South Korea's central bank lowered rates by 0.75% - its biggest cut ever. China, Hong Kong and Taiwan also reduced their official lending rates this week. Despite this, banks in Hong Kong did not lower their Prime rates, marking the third time in a row that local lenders kept interest rates unchanged after a cut from the US Fed.

After the massive sell-off of CITIC Pacific last week on huge losses from unauthorised FX trades, two more listed companies were burned by derivative investments. Similar to CITIC Pacific, Kowloon Development made huge losses in the "accumulators" trading and the estimated loss amounted to HK\$3.7 billion. Country Garden reported that it could lose up to US\$250 million on its equity swap with Merrill Lynch.

For the coming week, the local market would continue to seek direction from the US economic indicators. Speculation on the rate cuts by the European Central Bank and the Bank of England could lend supports to the global stock markets. However, the upside is seen subdued, as the global economy still shows no real sign of recovery. We believe the HSI to be capped at 14,000 with the downside risk at 12,800 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							
31st Octpber	9,180.69*	1,698.52*	8,576.98	1,794.20	863.61	416.53	4,870.66
24th Octpber	8,378.95	1,552.03	7,649.08	1,600.28	859.11	432.87	4,579.62
Change	+801.74	+146.49	+927.90	+193.92	+4.50	-16.34	+291.04
%	+9.6%	+9.4%	+12.1%	+12.1%	+0.5%	-3.8%	+6.4%

Remarks: (*) closing as of 30th October 2008

Major Changes in Index Constituent Stocks (Week ended 31st October 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @31/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
BOC Hong Kong	02388	HK\$8.58	-HK\$0.85	-9.01%	BOCHK said its net operating income before impairment allowances for the first 9 months increased just 5% to HK\$19.5 billion on lower net fees and commission income. Both JP Morgan and Credit Suisse downgraded the counter as the lender took a HK\$3.2 billion hit in impairment charges.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @31/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNBM	03323	HK\$4.33	+HK\$2.23	+106.19%	UBS said the highly leveraged company like cement producer CNBM would benefit from interest rate reductions in China, which would help mitigate its financial risks.
R&F Properties	02777	HK\$3.55	-HK\$1.15	-24.47%	Mainland property stock slid this week as support measures from the PRC government failed to restore investor confidence. Investors specially dumped the shares in R&F Properties on rumours that the company had failed to repay bank loans.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @31/10/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	00883	HK\$6.30	+HK\$1.42	+29.10%	Offshore oil producer CNOOC posted total revenue of RMB30.9 billion for July-Sept 2008, hiking 69.1% from a year ago while its rival PetroChina also posted a 30% increase in quarterly profit on the back of higher oil prices and a government hike in fuel prices. Both results beat the market consensus.



Summary of US Economic News

Indicator	Change/Index	Comments
FOMC Meeting Announcement	-0.5%	As expected, the US Fed cut its fed funds target rate by 50 basis points to 1.0%. The Fed cited slowing economic activity and "intensification of market turmoil" as reasons for the cuts. Also supporting the policy actions were "declines in the prices of energy and other commodities" and the expectation that inflation would moderate in coming quarters.
Durable Goods Orders – Sept 2008	+0.8%	Durable goods orders in Sept 08 unexpectedly rebounded, far above the consensus projection of a 1.1% contraction. But the gain was the result of a surge in aircraft orders - up 10.1% for defense aircraft and up 29.7% for non-defense aircraft. Outside of aircraft, durables orders remain weak.
Consumer Confidence – Oct 2008	38.0	After increasing slightly in Sept 08 to 61.4, the consumer confidence index fell more than 23 points to 38.0, the worst assessment of the nation's economic health since the Conference Board began conducting the survey in 1967. The report showed an alarming depth of pessimism.
Real GDP - Q/Q change Q3 Advance 2008	-0.3%	Third quarter GDP confirmed that the U.S. economy is in recession but was marginally higher than the consensus forecast for a 0.5% decline. The drop in growth was due to a fall in personal consumption, weaker residential investment, a decline in non-residential fixed investment and slower growth in exports.

Forthcoming Important Announcements / Events

3 rd November 2008 (Monday)	HK	:	AAC Acoustic Technologies (02018) – Q3 2008 results
	US	:	ISM Mfg Index – Oct 2008 The Principal Financial Group – Q3 2008 results
4 th November 2008 (Tuesday)	HK	:	Vinco Financial Group (08340) – Q3 2008 results
	US	:	Factory Orders – Sep 2008 Emerson Electric – Q4 2008 results Pinnacle West Capital – Q3 2008 results
5 th November 2008 (Wednesday)	HK	:	Beijing Jingkelong (00814) – Q3 2008 results
	US	:	ISM Non-Mfg Survey – Oct 2008 Devon Energy – Q3 2008 result XTO Energy – Q3 2008 results
6 th November 2008 (Thursday)	HK	:	Crocodile Garments (00122) – Final results Manulife Financial (00945) – Q3 2008 results
	US	:	Productivity and Costs – Q3 2008 Initial jobless claims – week ended 1st November 2008 Walt Disney – Q4 2008 results
7 th November 2008 (Friday)	HK	:	Lenovo Group (00992) – Interim results Lai Fung Holdings (01125) – Final results
	US	:	Employment Situation – Oct 2008 Pending Home Sales Index – Sep 2008 Wholesale Trade – Sep 2008 Ford Motor – Q3 2008 results



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