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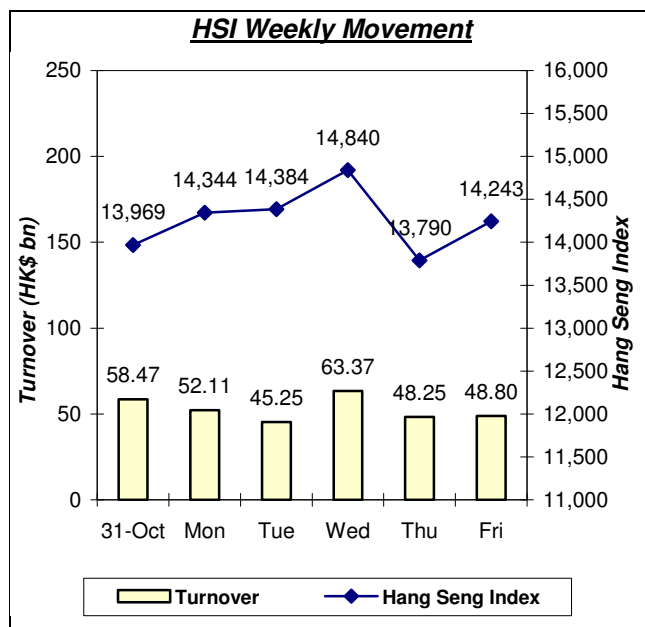
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Weekly Report7th November 2008**Market rebound lost steam as investors looked back to reality**

| <u>Weekly Market Statistics</u> | | | | |
|--|------------|------------|--------|--------|
| Week ended | 07/11/2008 | 31/10/2008 | Change | % |
| Hang Seng Index | 14,243 | 13,969 | +275 | +2.0% |
| HS Red Chip Index | 2,895 | 2,963 | -68 | -2.3% |
| HS China Enterprises Index | 6,795 | 6,611 | +183 | +2.8% |
| HS Composite Index | 1,906 | 1,862 | +44 | +2.4% |
| HS HK Composite Index | 1,562 | 1,501 | +61 | +4.1% |
| HS Mainland Composite Index | 2,364 | 2,334 | +30 | +1.3% |
| Growth Enterprise Index | 382 | 365 | +17 | +4.7% |
| Avg Daily Turnover (HK\$ bn) | 51.6 | 63.1 | -12 | -18.3% |
| Sectoral Indices | | | | |
| Finance | 22,524 | 21,916 | +608 | +2.8% |
| Utilities | 37,448 | 34,262 | +3,186 | +9.3% |
| Properties | 17,447 | 16,391 | +1,056 | +6.4% |
| Comm & Ind | 7,254 | 7,344 | -90 | -1.2% |

Review & Outlook of Market Performance

The rebound of the local Stock market has been losing steam over the week, as investors looked back to weak corporate fundamentals and battered economic outlook. Global equities recovered from multi-year lows set last month before the US presidency election on Tuesday, as there were hopes that Barack Obama, the US president elect, could bring in big policy changes and help revive the slumping US economy. Nonetheless, global equities lost steam following the victory of Obama, as investors refocused on the sluggish reality. Meanwhile, Europe and the UK cut interest rates sharply on Thursday, amid greater efforts in fighting recession. HK shares bucked global market weakness and ended firm on Friday, thanks to a long-expected cut in local prime lending rates. Over the week, Hang Seng Index gained 2.0% to 14,243.43, while the HSCEI surged 2.8% to 6,794.59.

Obama made history to become the first African-American to head the White House and the 44th US president. Bank of England cut interest rates by a stunning 1.5%, along with a 0.5% cut by the European Central Bank. Another round of worldwide rate cut is widely expected in December. Global leaders have been working their way hard to drive the sluggish world economy out of the woods. However, investors became impatient and sold their shares after recent rebound, as there were more and more profit warning and negative corporate news. In Hong Kong, Cathay Pacific warned about a "disappointing" full-year result on weak demand and jet fuel hedging loss, while Dah Sing Financial cautioned a sharp profit drop this year on weak investment and operating performance. We should see more negative corporate news towards the end of the year, as companies continued to assess impact of the global financial tsunami.

Despite retreating interbank rates, the problem of credit crunch has not yet been totally resolved, as banks remained reluctant to lend on anticipation of worsening credit quality ahead. It is too early to say the stock market has bottomed, but we see investor sentiment improving as the credit market is returning onto the normal track. For the coming week, the Q3 results announcement of HSBC's US business units on Monday will be closely watched as a bigger loss is expected. The quarterly HSI review is due next Friday, while China Merchants Bank is tipped to join the blue-chip index.

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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 | | | | | | | |
| 7th November | 8,695.79* | 1,608.70* | 8,583.00 | 1,863.49 | 893.95 | 463.81 | 4,742.33 |
| 31st October | 9,325.01 | 1,720.95 | 8,576.98 | 1,794.20 | 863.61 | 416.53 | 4,870.66 |
| Change | -629.22 | -112.25 | +6.02 | +69.29 | +30.34 | +47.28 | -128.33 |
| % | -6.7% | -6.5% | +0.1% | +3.9% | +3.5% | +11.4% | -2.6% |

Remarks: (*) closing as of 6th November 2008

Major Changes in Index Constituent Stocks (Week ended 7th November 2008)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @7/11/08 | W-O-W Change | | Remarks / Comments |
|------------------------|------------|---------------------------|--------------|---------|---|
| | | | Absolute | % | |
| Cathay Pacific Airways | 00293 | HK\$8.22 | -HK\$1.11 | -11.90% | Cathay Pacific Airways issued the second profit warning this year, citing weak air traffic demand and a mark-to-market loss of HK\$2.8 billion on jet fuel hedging. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @7/11/08 | W-O-W Change | | Remarks / Comments |
|-----------------------------------|------------|---------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Railway Construction (CRCC) | 01186 | HK\$8.90 | -HK\$0.48 | -5.12% | The Company revealed that a railway modernisation project in Nigeria was suspended on the request by the Nigerian government in order to redefine the contract scope. The contract amounts to a sizable US\$8.3 billion, accounting for nearly 14% of CRCC's total contract value as of the end of Sep 2008. It triggered a sell-off in the stock, as investors feared it may slow down CRCC's growth momentum. However, CRCC said it would not need to make any provision on the project, as only preliminary survey and construction work was carried out. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @7/11/08 | W-O-W Change | | Remarks / Comments |
|-------|------------|---------------------------|--------------|--------|--|
| | | | Absolute | % | |
| CNOOC | 00883 | HK\$5.95 | -HK\$0.35 | -5.56% | CNOOC, tracking slumping crude oil prices, ended lower for the week. NY light crude oil prices settled at US\$60.44 per barrel on Thursday, down 10.9% from last Friday on worries of weakening demand ahead. It was also the lowest closing level since March 2007. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|--------------|---|
| Construction spending – September 2008 | -0.3% | Construction spending fell 0.3% in Sep, after a 0.3% rise in Aug. However, it was better than consensus forecast of a 0.6% drop. |
| ISM manufacturing index/ – October 2008 | 38.9 | ISM manufacturing index slumped to 38.9 in Oct from 43.5 in Sep, the lowest level since Sep 1982, which implied the US manufacturing sector is in a sharp contraction. |
| Factory orders – September 2008 | -2.5% | Factory orders fell 2.5% in Sep, marking the second monthly drop in a row. It was worse than market expectation of a 0.8% decline. |
| ISM non-manufacturing index – October 2008 | 44.4 | ISM non-manufacturing index tumbled to 44.4 in Oct from 50.2 in Sep. It was below consensus forecast of 47, implying a greater-than-expected contraction in the US' service sector. |
| Initial jobless claims – week ended 1 st November 2008 | -4,000 | Initial jobless claims dropped 4,000 to 481,000 last week, higher than market expectation of 476,000. |
| Productivity (preliminary) – Q3 2008 | +1.1% | Non-farm productivity grew 1.1% in Q3, down sharply from 3.6% in Q2. |

Forthcoming Important Announcements / Events

| | | | |
|--|----|---|---|
| 10 th November 2008 (Monday) | HK | : | External trade – September 2008 Capital Estate (00193) – final results |
| | US | : | Starbucks – Q4 FY2007/08 results |
| 11 th November 2008 (Tuesday) | HK | : | Ta Yang Group (01991) – final results |
| | US | : | Microsoft – Q3 2008 results |
| 12 th November 2008 (Wednesday) | HK | : | Hong Kong Exchanges and Clearing (00388) – Q3 results The Link REIT (00823) – interim results |
| | US | : | Applied Materials – Q4 FY2007/08 results |
| 13 th November 2008 (Thursday) | HK | : | The Sincere Company (00244) – interim results Man Sang International (00938) – interim results |
| | US | : | Initial jobless claims – week ended 8 th November 2008 Trade balance – September 2008 Wal-Mart Stores Inc. – Q3 2008/09 results |
| 14 th November 2008 (Friday) | HK | : | Gross domestic product – Q3 2008 SMI Corporation (00198) – interim results QPL International (00243) – interim results CIL Holdings (00479) – final results |
| | US | : | Retail sales – October 2008 Business inventories – September 2008 Consumer sentiment (preliminary) – November 2008 |

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