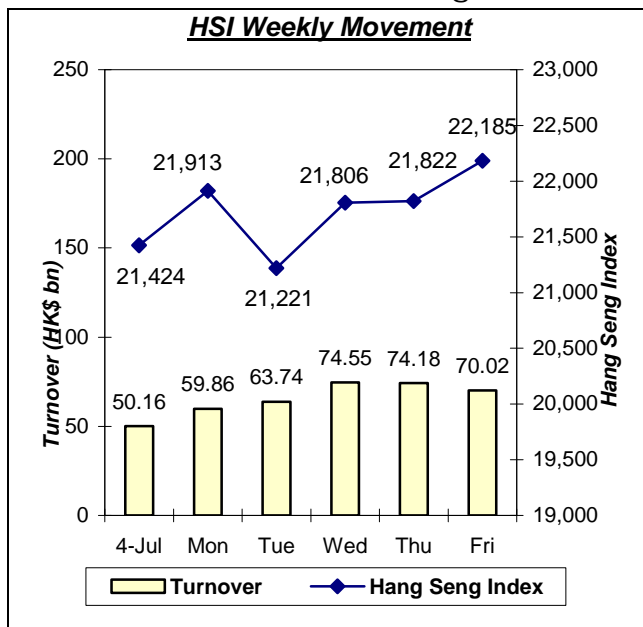


HSI closed higher after another week of bumpy ride



Weekly Market Statistics

Week ended	11/7/2008	04/7/2008	Change	%
Hang Seng Index	22,185	21,424	+761	+3.6%
HS Red Chip Index	4,813	4,693	+120	+2.6%
HS China Enterprises Index	12,307	11,225	+1,082	+9.6%
HS Composite Index	3,123	3,002	+121	+4.0%
HS HK Composite Index	2,344	2,320	+24	+1.0%
HS Mainland Composite Index	4,098	3,870	+229	+5.9%
Growth Enterprise Index	773	761	+12	+1.6%
Avg Daily Turnover (HK\$ bn)	68.5	63.8	+5	+7.3%
Sectoral Indices				
Finance	33,369	32,030	+1,339	+4.2%
Utilities	42,041	42,919	-877	-2.0%
Properties	26,933	24,924	+2,009	+8.1%
Comm & Ind	12,542	12,228	+314	+2.6%

Review & Outlook of Market Performance

Hong Kong shares closed higher after another week of bumpy ride, driven mainly by news flows of the ailing financials sector in the US, volatile oil prices, earning surprises from the PRC banks as well as persistent hopes for support measures from the PRC government. Over the week, the Hang Seng Index jumped 761 points or 3.6% to 22,184.55, while the HSCEI was up 9.6% to 12,306.99. Market volume jumped with the daily average of mainboard turnover up 7.3% w-o-w to HK\$68.5 billion.

The HSI hit 3-month low on Tuesday on concern that the US biggest mortgage finance companies may not weather the housing slump. Nevertheless, the Fed was able to contain the investment sentiment after announcing that it would extend its lending facilities for troubled financial institutions into next year. Meanwhile, oil price stayed volatile on another concern that the global economy could slow further coupled with news of missiles launch in Iran. Closing the week, CNOOC was down by 0.9% at HK\$13.14, PetroChina rose 3.41% at HK\$10 and Sinopec was up 5.12% to HK\$7.39 w-o-w. Apart from that, some long funds were switching oil names back to Chinese financial counters on Thursday. China Merchants, China CITIC Bank and ICBC surged 17.51%, 11.68% and 9% w-o-w, respectively, after issuing their positive earnings estimates for 1H 2008.

Upon persistent hopes for support measures from the PRC government, China Overseas shot up 22.76% at HK\$14.24 and R&F Properties jumped 23.53% at HK\$17.22. Separately, SinoMedia slipped 0.38% on its trading debut on Tuesday amid the market slump and closed the week down 1.14% to HK\$2.6, while, SJM Holdings postponed its listing to 16th July (from 10th July). Debuted on Thursday, Tianyi Fruit vaulted 11.11% to HK\$0.70 vs. IPO price of HK\$0.63 and closed the week at HK\$0.93, up 47.62%.

The week ahead will be heavily news-driven as we enter into the results announcement season, alongside with a number of June 08 economic data from the US (PPI, retail sales, CPI and housing starts) due for announcement. We see the HSI to range trade around 21,800 – 23,400 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 11th July	11,229.02*	2,257.85*	13,039.69	2,926.84	1,150.39	730.29	7,244.76
4th July	11,288.54^	2,245.38^	13,237.89	2,892.54	1,134.14	743.03	7,228.41
Change %	-59.52 -0.5%	+12.47 +0.6%	-198.20 -1.5%	+34.30 +1.2%	+16.25 +1.4%	-12.74 -1.7%	+16.35 +0.2%

Remarks: (^) closing as of 3rd July 2008; (*) closing as of 10th July 2008

Major Changes in Index Constituent Stocks (Week ended 11th July 2008)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @11/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas and Land	00688	HK\$14.24	+HK\$2.64	+22.76%	The counter rose after posting an 85% rise in property sales in the first half of 2008 and on policy hopes.
CHALCO	02600	HK\$9.36	+HK\$1.16	+14.15%	The counter surged after international aluminium prices jumped to a record high on output cuts by 5%-10% from July.
FIH	02038	HK\$6.86	-HK\$0.6	-8.04%	News reported that FIH and BYD have been embroiled in a dispute now being heard in court, with the former accusing the latter of stealing trade secrets. However, FIH's Taiwan parent, Hon Hai Precision, downplayed recent media reports about potential loss of business in an ongoing dispute with BYD.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @11/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
R&F Properties	02777	HK\$17.22	+HK\$3.28	+23.53%	Broker reiterated 'Outperform' rating on strong sales despite financials are still weak.
China Merchant Bank	03968	HK\$26.85	+HK\$4	+17.51%	Share gained the most among the financials after banks, such as China CITIC Bank and ICBC issued positive earnings estimates for 1H 2008.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @11/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sino-Ocean Land	03377	HK\$5.29	+HK\$0.94	+21.61%	The counter rebounded massively on investors' hopes for support measures from the PRC government.



Summary of US Economic News

Indicator	Change/Index	Comments
Pending home sales – May 2008	84.7	Pending home sales dropped more than expected by 4.7%, from an upwardly revised reading of 88.9 in April, on falling consumer confidence, rising unemployment, tight credit conditions, as well as high energy and food costs straining household budgets, signalling that the nation's housing problem is not abating.
Wholesale inventories – May 2008	0.8%	Wholesale inventories rose 0.8% in May, just slightly more than expected, but a measure of how long it would take to sell current stocks fell to a record low on strong sales of apparel and petroleum.
Initial jobless claims – the week ended 5 th July 2008	-58,000	Initial jobless claims fell 58,000 to 346,000, from a three-month high of 404,000 the prior week.

Forthcoming Important Announcements / Events

14 th July 2008 (Monday)	HK	: Chuang's Consortium International Ltd (00367) – final results iOne Holdings Limited (00982) – trading debut
	US	: No special announcements or events
15 th July 2008 (Tuesday)	HK	: Rainbow Brothers Holdings Ltd (00033) – final results Chen Hsong Holdings Ltd (00057) – final results Dickson Group Holdings Ltd (00313) – final results Oriental Watch Holdings Ltd (00398) – final results Wai Yuen Tong Medicine Holdings Ltd (00897) – final results Wang On Group Ltd (01222) – final results
	US	: Producer price index – June 2008 Retail sales – June 2008 Business inventories – May 2008 Johnson & Johnson – Q2 2008
16 th July 2008 (Wednesday)	HK	: Chevalier International Holdings Ltd (00025) – final results Emperor International Holdings Ltd (00163) – final results Emperor Entertainment Hotel Ltd (00296) – final results Noble Jewelry Holdings Ltd (00475) – final results Chevalier Pacific Holdings Ltd (00508) – final results Modern Beauty Salon Holdings Ltd (00919) – final results SJM Holdings Limited (00880) – trading debut
	US	: Consumer price index – June 2008 Industrial production – June 2008 Housing market index – July 2008 FOMC minutes – release for June 2008 Northern Trust Corp – Q2 2008
17 th July 2008 (Thursday)	HK	: Hon Kwok Land Investment Co Ltd (00160) – final results Hung Hing Printing Group Ltd (00450) – final results Lee & Man Paper Manufacturing Ltd (02314) – final results Long Far Pharmaceutical Holdings Ltd (02898) – final results
	US	: Housing starts – June 2008 Jobless claims – the week ended 12 th July 2008 Philadelphia Fed survey – July 2008 Coca-Cola Co – Q2 2008 IBM Corp – Q2 2008 JPMorgan Chase & Co – Q2 2008 Microsoft Corp – Q4 FY2008
18 th July 2008 (Friday)	HK	: China Conservational Power Holdings Ltd (00290) – final results Starlite Holdings Ltd (00403) – final results Bosideng International Holdings Ltd (03998) – final results
	US	: No special announcements or events



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