



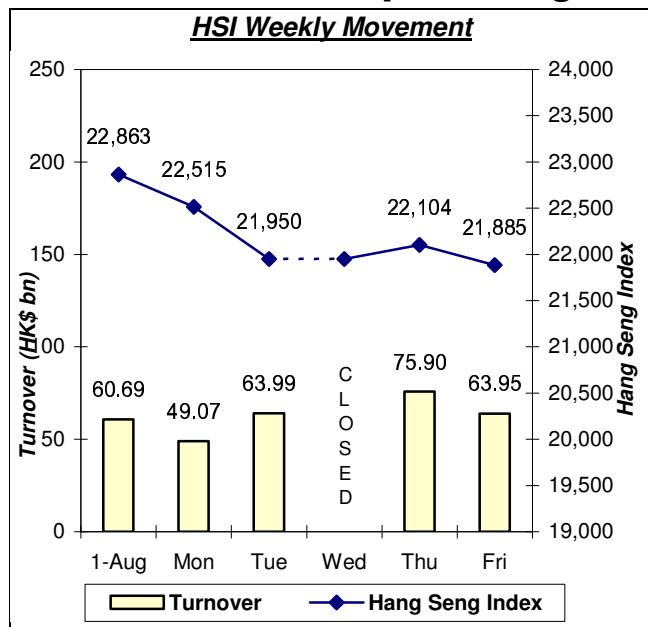
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Weekly Report

8th August 2008

A weak performing week ahead of Olympic Game



Weekly Market Statistics

Week ended	08/8/2008	01/8/2008	Change	%
Hang Seng Index	21,885	22,863	-977	-4.3%
HS Red Chip Index	4,420	4,736	-317	-6.7%
HS China Enterprises Index	11,742	12,545	-803	-6.4%
HS Composite Index	3,024	3,174	-150	-4.7%
HS HK Composite Index	2,353	2,415	-62	-2.6%
HS Mainland Composite Index	3,881	4,131	-250	-6.1%
Growth Enterprise Index	747	767	-20	-2.6%
Avg Daily Turnover (HK\$ bn)	63.2	51.9	+11	+21.8%
Sectoral Indices				
Finance	34,323	35,478	-1,155	-3.3%
Utilities	42,876	41,995	+881	+2.1%
Properties	25,918	27,577	-1,660	-6.0%
Comm & Ind	11,861	12,576	-714	-5.7%

Review & Outlook of Market Performance

Although the US Fed held the rates unchanged on Tuesday, offering a short-term relief to the concerns on rising interest rate, the HSI did not receive any positive impact from the decision. In a trading week shortened by the Typhoon Kammuri on Wednesday, the HSI retreated this week, closing down 4.28% w-o-w or 977.39 points at 21,885.21. The HSCEI also slipped 6.40% w-o-w and closed at 11,742.39. Average daily turnover rose to HK\$63.2 billion from last week's HK\$51.9 billion.

Banking sector kick-started the interim reporting period of blue chips this week. Both Hang Seng Bank and Standard Chartered Bank posted satisfactory 1H08 results, delivering a y-o-y net profit increase of 2% and 32%, respectively. In contrast, haunted by investment write-downs, HSBC and Bank of East Asia reported a y-o-y net profit decline of 29% and 52%, respectively. Such mixed corporate results clouded the market sentiment on financial stocks. Besides, the interim underlying profit of Swire tumbled 38% y-o-y, dragged by its 39%-owned Cathay Pacific, which reported a HK\$663m interim loss, its first in five years.

On the IPO front, dual-listing candidate China South Locomotive and Rolling Stock Corp, the mainland's largest train builder, became the rare IPO candidate that could draw attention from investors. The sale will test the demand for stock offerings that has been inactive for months, as the slumping equity markets have forced at least 8 IPOs to be delayed or scrapped in Hong Kong.

For the coming week, market focus would remain at local banking counters, as several lenders will deliver their interim results next week, including ICBC (Asia), Fubon (HK), Chong Hing Bank and Wing Hang Bank. The market should be expecting for sets of weak figures premised on their worrisome CDO and SIV holdings. Buying interest should remain subdued during the Olympic period and we see the benchmark index to be traded between 21,000 and 22,000 next week.

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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 8th August	11,431.43*	2,351.32*	13,168.41	2,807.54	1,120.31	690.70	7,209.04
1st August	11,326.32	2,310.96	13,094.59	2,906.07	1,159.10	678.66	7,002.54
Change %	+105.11 +0.9%	+40.36 +1.7%	+73.82 +0.6%	-98.53 -3.4%	-38.79 -3.3%	+12.04 +1.8%	+206.50 +2.9%

Remarks: (*) closing as of 7th August 2008

Major Changes in Index Constituent Stocks (Week ended 8th August 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @8/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Bank of East Asia	00023	HK\$31.90	- HK\$5.20	- 14.02%	The shares of the bank tumbled after it reported less-than-expected interim net profit. Its first-half net profit dropped 52.4% from a year earlier, below market consensus due to its HK\$1.5 billion total markdowns on its CDO and SIV holdings.
HK Electric	00006	HK\$48.25	+ HK\$2.45	+ 5.35%	Utilities were the rare gainers this week as they were seen as a safe haven in a slumping market. HK Electric was even the top gainer after reporting an 18% growth in 1H08.
CLP Holdings	00002	HK\$65.90	+ HK\$0.90	+ 1.38%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @8/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Steel	00347	HK\$11.46	- HK\$4.04	- 26.06%	Steel prices on the Mainland have fallen recently for seasonal reasons, and because of the closure of building sites in Beijing for the Olympics.
Maanshan Iron	00323	HK\$3.85	- HK\$1.06	- 21.59%	
Jiangxi Copper	00358	HK\$11.48	- HK\$2.62	- 18.58%	Metal stocks experienced a sharp pullback on retreating global commodity prices, triggered by worries over a US economic slowdown and a hint of deceleration on the Mainland economy.
CMOC	03993	HK\$5.17	- HK\$1.16	- 18.33%	
Chalco	02600	HK\$6.49	- HK\$1.24	- 16.04%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @8/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	01199	HK\$11.36	- HK\$2.64	- 18.86%	Shipping stocks tumbled after the benchmark Baltic Dry Index extended its 4-week decline on worries over a global economic slowdown, caused by the seasonal slowing of global grain shipping activity, as well as the expected weaker Chinese demand after Sept, due to the high level of iron ore stockpiles and closures in the heavy industry before the Olympics.
Sinotrans Shipping	00368	HK\$3.36	- HK\$0.53	- 13.68%	



Summary of US Economic News

Indicator	Change/Index	Comments
Employment Situation – July 2008 Non-farm Payrolls Unemployment Rate	-51,000 5.7%	Non-farm payroll employment in July fell by a less-than-expected 51,000, following an equal drop of 51,000 in June and a fall of 47,000 in May. Unemployment rate was 5.7% as opposed to 5.5% in June. July's number is the highest since the January 2004 and the report shows the labour sector is weaker than many have been expecting.
Personal Income & Outlay – June 2008 Personal income Consumer Spending	+0.1% +0.6%	Personal income edged up 0.1% in June, contrary to the 0.2% decline forecasted, following a 1.9% surge in May. Personal consumption went up 0.6% after a 0.8% increase in May. Both numbers continued to be affected by the income tax rebates and higher gasoline prices.
FOMC announcement – 5 th August 2008	2.00%	The Fed kept its federal funds rate unchanged at 2.00% as it struggles to balance between inflation and growth.
Jobless claims – the week ended 2 nd August 2008	+ 7,000	Jobless claims increased by 7,000 to a higher-than-expected level of 455,000 from 448,000, highest since March 2002.
Pending home sales – June 2008	+5.3%	Pending home sales rebounded 5.3% in June after a 4.7% decline in May to an index level of 89.0. Tax credits to first-time buyers may have helped boost the month's sales.

Forthcoming Important Announcements / Events

11 th August 2008 (Monday)	HK	: Beiren Printing Machinery (00187) – Interim results Angang Steel (00347) – Interim results Lifestyle International (01212) – Interim results
	US	: SYSCO – Q4 2008 earnings release
12 th August 2008 (Tuesday)	HK	: CLP Holdings (00002) – Interim results Fubon Bank (Hong Kong) (00636) – Interim results Lianhua Supermarket (00980) – Interim results China Shipping Development (01138) – Interim results Country Garden Holdings (02007) – Interim results
	US	: International Trade – Jun 2008 NVIDIA Corporation – Q2 2009 earnings release
13 th August 2008 (Wednesday)	HK	: Hang Lung Group (00010) – Final results Hang Lung Properties (00101) – Final results Hong Kong Exchanges and Clearing (00388) – Interim results Li & Fung (00494) – Interim results Tencent Holdings (00700) – Interim results Chong Hing Bank (01111) – Interim results
	US	: Import and Export Prices – Jul 2008 Retail Sales – Jul 2008
14 th August 2008 (Thursday)	HK	: Wing Hang Bank (00302) – Interim results Maanshan Iron and Steel (00323) – Interim results ICBC (Asia) (00349) – Interim results Anhui Conch Cement (00914) – Interim results Cheung Kong Infrastructure Holdings (01038) – Interim results Guangzhou R&F Properties (02777) – Interim results
	US	: Initial jobless claims – for the week ended on 9 th August 2008 Consumer Price Index – Jul 2008 Wal-Mart Stores– Q2 2009 earnings release
15 th August 2008 (Friday)	HK	: CASH Financial Services Group (00510) – Interim results
	US	: Industrial Production – Jul 2008



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