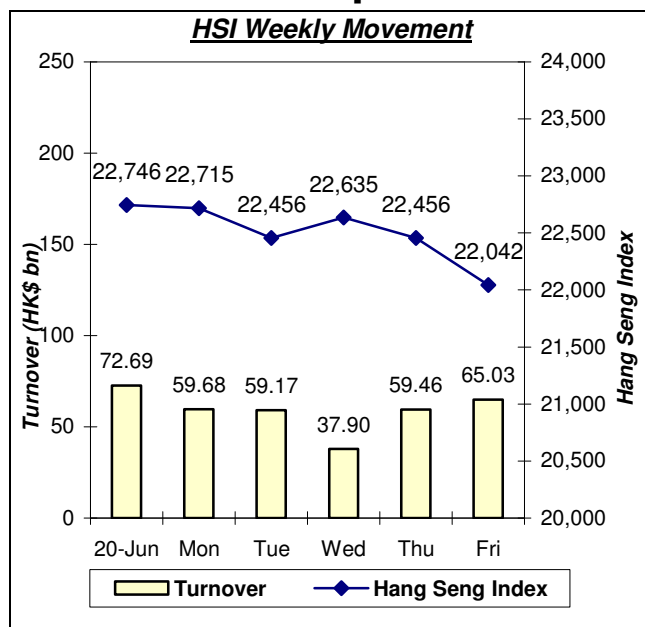


Sentiments dampened on fears of rising mortgage rates and oil spike



| Weekly Market Statistics | | | | |
|---------------------------------|-----------|-----------|--------|-------|
| Week ended | 27/6/2008 | 20/6/2008 | Change | % |
| Hang Seng Index | 22,042 | 22,746 | -703 | -3.1% |
| HS Red Chip Index | 4,712 | 4,821 | -110 | -2.3% |
| HS China Enterprises Index | 11,814 | 12,344 | -529 | -4.3% |
| HS Composite Index | 3,097 | 3,200 | -103 | -3.2% |
| HS HK Composite Index | 2,386 | 2,469 | -83 | -3.3% |
| HS Mainland Composite Index | 3,999 | 4,129 | -130 | -3.2% |
| Growth Enterprise Index | 787 | 828 | -41 | -4.9% |
| Avg Daily Turnover (HK\$ bn) | 56.2 | 61.6 | -5 | -8.7% |
| Sectoral Indices | | | | |
| Finance | 33,486 | 34,158 | -673 | -2.0% |
| Utilities | 43,467 | 43,515 | -48 | -0.1% |
| Properties | 25,982 | 27,692 | -1,710 | -6.2% |
| Comm & Ind | 12,364 | 12,858 | -493 | -3.8% |

Review & Outlook of Market Performance

Weighed down by consecutive highs of oil prices and a setback of property stocks following a local mortgage rate hike, the HSI dropped through the 22,500 level to close the week at 22,042.35, down 703.25 points, or 3.09% w-o-w. Average daily turnover was HK\$56.2 billion.

As expected, the US Fed kept its benchmark rate at 2% but expressed that it is now thinking about when to start raising interest rates to contain inflation. Despite Hong Kong lenders have kept their respective prime rates unchanged in a range of 5.25% to 5.5%, DBS Bank (Hong Kong), China Construction Bank (Asia) and Hang Seng Bank had already hiked their mortgage rates for new customers by 25 basis points. Local property developers declined accordingly on fears that rising mortgage rates might dampen the market sentiments on the sales of residential units.

Another focus of the market was the record-breaking oil prices. Oil futures in New York have topped US\$140 a barrel on Thursday. The record prices have followed a warning from the OPEC president that oil could reach US\$170 this year, causing deep losses in Wall Street markets. The soaring oil prices lifted CNOOC, the upstream oil play, to gain 3.8% w-o-w but suppressed the shares of PetroChina and Sinopec, which fell 4.02% and 9.03% w-o-w respectively. On the other hand, the worrying US economy also triggered investors to be bearish on the US-oriented stocks. Shares of Li & Fung, slid to a 3-month low on fears of a worsening US consumption environment while Foxconn also slumped to its lowest level in over two years.

Looking ahead, performance of Wall Street markets and oil prices would dominate the direction of Hong Kong market in the near term. Buying interest should remain subdued, as the economic outlook of the US continues to be worrisome. The HSI is likely to struggle at around 22,000 level next week, pending more indications from the release of some key US figures such as ISM Mfg Index and Employment Situation.

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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 27th June | 11,453.42* | 2,321.37* | 13,544.36 | 2,955.91 | 1,190.54 | 775.73 | 7,548.76 |
| 20th June | 11,842.69 | 2,406.09 | 13,942.08 | 3,001.81 | 1,206.67 | 768.90 | 7,902.44 |
| Change | -389.27 | -84.72 | -397.72 | -45.90 | -16.13 | +6.83 | -353.68 |
| % | -3.3% | -3.5% | -2.9% | -1.5% | -1.3% | +0.9% | -4.5% |

Remarks: (*) closing as of 26th June 2008

Major Changes in Index Constituent Stocks (Week ended 27th June 2008)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @27/6/08 | W-O-W Change | | Remarks / Comments |
|-----------|------------|---------------------------|--------------|----------|---|
| | | | Absolute | % | |
| Foxconn | 2038 | HK\$7.98 | - HK\$1.87 | - 18.98% | Shares in Foxconn dived to their lowest level in over two years on fears that market share erosion at major client Motorola will negatively affect its bottom line. |
| Li & Fung | 0494 | HK\$23.50 | - HK\$3.10 | - 11.65% | The stock slid to a 3-month low after Merrill Lynch downgraded the trading firm on fears that a slowdown in US consumer spending will eat into margins. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @27/6/08 | W-O-W Change | | Remarks / Comments |
|------------------|------------|---------------------------|--------------|----------|---|
| | | | Absolute | % | |
| China Molybdenum | 3993 | HK\$6.83 | - HK\$0.89 | - 11.53% | The shares slumped as brokerage house Morgan Stanley downgraded the stock to underweight from equal-weight and cut its target price to HK\$6 from HK\$10. Morgan Stanley expects the company to disappoint investors in its first-half earnings because of escalating production costs. |
| Chalco | 2600 | HK\$8.94 | - HK\$1.38 | - 13.37% | The Company warned of a more than 50% plummet in first-half earnings and analysts also warned of a worsening outlook for 2008. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @27/6/08 | W-O-W Change | | Remarks / Comments |
|-------|------------|---------------------------|--------------|---------|--|
| | | | Absolute | % | |
| CNOOC | 0883 | HK\$13.10 | + HK\$0.48 | + 3.80% | CNOOC was the rare gainer this week as global crude oil prices resumed their record-breaking run. Its share prices were also supported by the news that it has started production at a new oil field in the South China Sea. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|--------------|---|
| Consumer Confidence – Jun 2008 | 50.4 | Consumer confidence index fell to 50.4 in June, down from 58.1 in May, its lowest point since February 1992. |
| FOMC Meeting Announcement – Target Level | 2.0% | The FOMC announcement kept the fed funds target rate at 2.0% as expected but the Fed has further shifted its concern to be more about inflation than about recession. It is clear that the Fed is now thinking about when to start raising interest rates to contain inflation. |
| New Home Sales – May 2008 | -2.7% | The report shows a 2.7% m-o-m decline in May to an annual adjusted unit sales rate of only 512,000. There was special trouble in the West where the m-o-m decline was 11.6%. The 114,000 unit sales in the West are the lowest adjusted monthly total in the region in nearly 26 years. |
| Existing Home Sales – May 2008 | +2.0% | The housing market proved thankfully mixed in May with new home sales very weak but existing home sales improving. Sales of existing homes rose 2.0% in the month to a 4.99m annual rate, the best rate since February and the second best rate since November. |

Forthcoming Important Announcements / Events

| | | | |
|---------------------------------------|----|---|---|
| 30 th June 2008 (Monday) | HK | : | No important announcement/events |
| | US | : | H&R Block – Q4 2008 earnings release |
| 1 st July 2008 (Tuesday) | HK | : | HK Holiday: HKSAR Establishment Day |
| | US | : | Construction Spending – May 2008 ISM Mfg Index – Jun 2008 Apollo Group – Q3 2008 earnings release Constellation brands – Q1 2009 earnings release |
| 2 nd July 2008 (Wednesday) | HK | : | Pico Far East (00752) – interim results Garron International (01226) – final results |
| | US | : | Factory Orders – May 2008 Family Dollar – Q3 2008 earnings release |
| 3 rd July 2008 (Thursday) | HK | : | Asia Commercial Holdings (00104) – final results Pioneer Global Group (00224) – final results Chuang's China Investments (00298) – final results VTech Holdings (00303) – final results Vitasoy (00345) – final results Yip's Chemical (00408) – final results Fujikon Industrial (00927) – final results Karrie International (01050) – final results C Y Foundation (01182) – final results |
| | US | : | Initial jobless claims – the week ended 28 th June 2008 Employment Situation – Jun 2008 ISM Non-Mfg Survey – Jun 2008 |
| 4 th July 2008 (Friday) | HK | : | Oriental Press (00018) – final results Far East Hotels and Entertainment (00037) – final results SMI Corp (00198) – final results ITC Properties (00199) – final results Hsin Chong Construction (00404) – final results Pyxis Group (00516) – final results China Shanshui Cement (00691) – trading debut |
| | US | : | US Holiday: Independence Day |

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