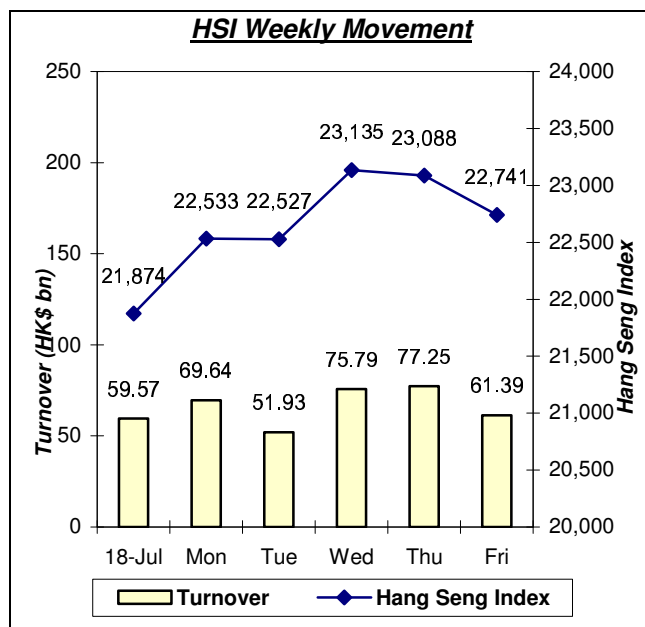


HK stocks rebound further on lower oil prices and HSBC rally



Weekly Market Statistics				
Week ended	25/7/2008	18/7/2008	Change	%
Hang Seng Index	22,741	21,874	+867	+4.0%
HS Red Chip Index	4,741	4,683	+58	+1.2%
HS China Enterprises Index	12,422	12,124	+298	+2.5%
HS Composite Index	3,161	3,057	+104	+3.4%
HS HK Composite Index	2,415	2,305	+109	+4.7%
HS Mainland Composite Index	4,104	3,999	+104	+2.6%
Growth Enterprise Index	765	751	+14	+1.9%
Avg Daily Turnover (HK\$ bn)	67.2	61.4	+6	+9.4%
Sectoral Indices				
Finance	35,120	33,184	+1,936	+5.8%
Utilities	42,150	41,380	+770	+1.9%
Properties	27,709	26,233	+1,477	+5.6%
Comm & Ind	12,529	12,298	+231	+1.9%

Review & Outlook of Market Performance

HK equities rose sharply during the week, following retreat in global crude oil prices and strong US market rebound. A higher US gasoline inventory, a weaker energy demand figure and eased threat from the Hurricane Dolly in the Gulf of Mexico triggered to a sell-off in crude oil futures, pressing down the US spot-month crude oil futures price to a seven-week low at US\$123.50 per barrel on Thursday, compared with last Friday's close of US\$128.88. However, a 2.4% plunge in the US stock market on Thursday following a jump in jobless claims and a much weaker home resale figure capped the upside of HK stocks. The Hang Seng Index jumped 4.0% w-o-w to close at 22,740.71, while the HSCEI surged 2.5% w-o-w to 12,421.67.

Investors' buying spree set in motion with HSBC Holdings, after a UK newspaper reported China Investment Corp (CIC), the country's sovereign fund, is interested in buying a stake in the banking giant. Shares of HSBC ended up 6.9% w-o-w, marking the strongest weekly gain since March 2002. Dropping oil prices helped push up PRC refiners (PetroChina and Sinopec) and airlines (Cathay and Air China), with gains ranging from 1% to 6%. Coal producers failed to ride on the market rebound and ended the week down by 0.4%-7%, after Beijing reiterated the enforcement of price cap on thermal coal. Meanwhile, corporate/institutional investors stayed cautious and cashed in some of their equity investments during the latest market rebound. One institutional investor offloaded 157 million Bank of China shares, while IBM further reduced its stake in Lenovo by selling 117 million shares, raising a combined HK\$1.1 billion.

Threat from high crude oil prices somehow eased, after reports said the rally setting NY crude oil futures above US\$140 a barrel was due to short-covering from a sizable US firm. We may see revived market volume in the next few weeks, as long-term/value investors would begin bargain-hunting amid the start of the earnings reporting season. The Hang Seng Index is seen trading in a wide range in the coming week, amid the HS index futures expiry on Wednesday and the release of the key US Q2 GDP and July payroll figures on Thursday and Friday, respectively. Support of the blue-chip index is seen near 22,000.

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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 25th July	11,349.28*	2,280.11*	13,334.76	2,922.91	1,141.75	685.47	7,233.62
18th July	11,496.57	2,282.78	12,803.70	2,847.73	1,105.04	664.52	6,815.32
Change %	-147.29 -1.3%	-2.67 -0.1%	+531.06 +4.1%	+75.18 +2.6%	+36.71 +3.3%	+20.95 +3.2%	+418.30 +6.1%

Remarks: (*) closing as of 24th July 2008

Major Changes in Index Constituent Stocks (Week ended 25th July 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @25/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC Holdings	00005	HK\$128.30	+HK\$8.30	+6.92%	UK media reported that China Investment Corp (CIC) is considering buying a stake in the global banking giant. HSBC did admit that it had held meetings with CIC but claimed those were normal investor relations activities.
Cathay Pacific Airways	00293	HK\$15.50	+HK\$0.36	+2.38%	Airlines were among the winners following a retreat in crude oil prices. Meanwhile, Cathay, along with three other air carriers, has applied to raise jet fuel surcharges starting from Aug 1, the 2 nd time in two months, in order to tackle rising fuel expenses.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @25/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	00386	HK\$7.97	+HK\$0.48	+6.41%	Share prices of Sinopec revived during the week amid dropping crude oil prices. Meanwhile, the Asia's largest refiner said expansion of the country's 2 nd largest Maoming refinery plant may be further delayed until 2010 amid huge refining losses.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @25/7/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo	00992	HK\$5.33	-HK\$0.12	-2.20%	Lenovo underperformed the general HK stock market, after IBM placed 117 million shares to raise HK\$623 million. IBM once owned 18.9% in Lenovo after it sold its PC business to the Mainland PC maker in 2004. The latest share sale from IBM marked the third time since the expiry of the 2-year lock-up period and IBM now still owns 4.7% in Lenovo.



Summary of US Economic News

Indicator	Change/Index	Comments
Index of leading economic indicators – Jun 2008	-0.1%	The index of leading economic indicators slipped 0.1% in June after a 0.2% drop in May, matching market expectations. Conference Board, the compiler of the index, said higher fuel and food prices have led to a sluggish economy.
Initial jobless claims – week ended 19 th Jul 2008	+34,000	Initial jobless claims jumped 34,000 to 406,000 last week, the highest in nearly four months and much higher than market expectations of a milder rise to 376,000.
Existing home sales – Jun 2008	-2.6%	The US existing home sales tumbled by 2.6% to an annual rate of 4.86 million units in June, weaker than consensus forecast of a drop to 4.93 million units.

Forthcoming Important Announcements / Events

28 th July 2008 (Monday)	HK	:	YangtzeKiang Garment (00294) – final results Sinotrans Shipping (00368) – interim results Jade Dynasty Group (00970) – final results Semiconductor Manufacturing Int'l Corp (00981) – interim results Kingmaker Footwear (01170) – final results China Coal Energy (01898) – interim results Zijin Mining (02899) – interim results
	US	:	Verizon – Q2 2008 results
29 th July 2008 (Tuesday)	HK	:	China Timber Resources (00269) – final results China Water Affairs (00855) – final results Tack Fat Group International (00928) – final results
	US	:	Consumer confidence – July 2008 Viacom – Q2 2008 results
30 th July 2008 (Wednesday)	HK	:	Clear Media (00100) – interim results Orient Overseas (International) (00316) – interim results Beijing North Star (00588) – interim results FU JI Food and Catering Services (01175) – final results
	US	:	Prudential Financial, Inc. – Q2 2008 results Starbucks – Q3 2007/08 results Visa Inc. – Q3 2007/08 results Walt Disney – Q3 2007/08 results
31 st July 2008 (Thursday)	HK	:	Retail sales – June 2008 Kenfair International (00223) – final results ASM Pacific (00522) – interim results CITIC 1616 (01883) – interim results Linmark Group (00915) – final results
	US	:	GDP (advanced) – Q2 2008 Initial jobless claims – the week ended 26 th July 2008 Chicago Purchasing Managers' Index (PMI) – July 2008 ExxonMobil Corporation – Q2 2008 results International Paper Co. – Q2 2008 results Motorola Inc. – Q2 2008 results
1 st August 2008 (Friday)	HK	:	No important announcement/event
	US	:	Non-farm payrolls – July 2008 Construction spending – June 2008 ISM manufacturing index – July 2008 Chervon – Q2 results NYSE Euronext – Q2 2008 results Sun Microsystems – Q4 2007/08 results

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