



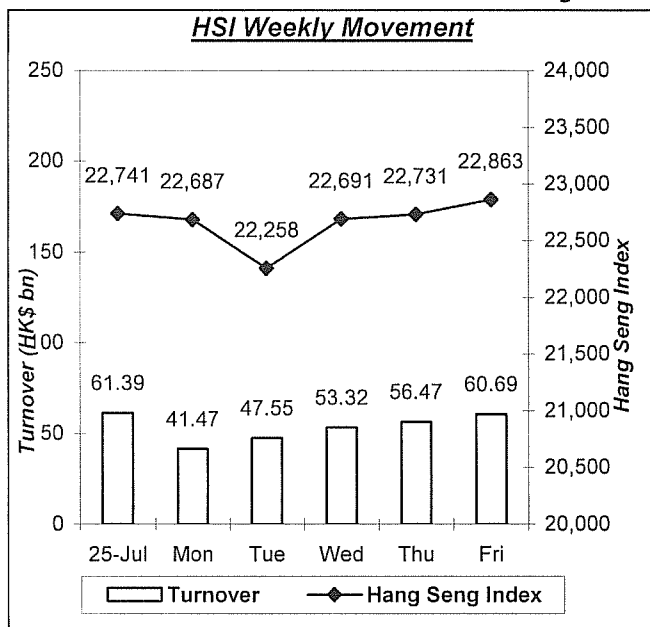
Restricted circulation

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Weekly Report

1st August 2008

HSI rebounded before July-end and closed higher over the week



<u>Weekly Market Statistics</u>				
Week ended	01/8/2008	25/7/2008	Change	%
Hang Seng Index	22,863	22,741	+122	+0.5%
HS Red Chip Index	4,736	4,741	-5	-0.1%
HS China Enterprises Index	12,545	12,422	+124	+1.0%
HS Composite Index	3,174	3,161	+13	+0.4%
HS HK Composite Index	2,415	2,415	+0	+0.0%
HS Mainland Composite Index	4,131	4,104	+27	+0.7%
Growth Enterprise Index	767	765	+2	+0.3%
Avg Daily Turnover (HK\$ bn)	51.9	67.2	-15	-22.8%
Sectoral Indices				
Finance	35,478	35,120	+358	+1.0%
Utilities	41,995	42,150	-155	-0.4%
Properties	27,577	27,709	-132	-0.5%
Comm & Ind	12,576	12,529	+47	+0.4%

Review & Outlook of Market Performance

Starting the week, the HSI retreated despite PRC policy makers had dropped their reference of the country's "tight" monetary policy in a policy statement. Mainboard turnover fell to around its 16-month low, with investors turning their attention to the futures market before the July contract expiry on Wednesday. On the following day, the HSI dropped further down to 22,258 level on news that Merrill Lynch would record a US\$5.7 billion pretax writedown and sell US\$8.5 billion of stock to deal with its credit-market losses. Not until Wednesday could the HSI halt its four-day retreat as oil prices dropped and Wall Street rebounded. Over the week, the Hang Seng Index edged up 121.89 points or 0.54% to 22,862.60, while the HSCEI was up 0.99% to 12,545.22. Market volume was down with daily mainboard turnover down 22.8% w-o-w to HK\$51.9 billion.

Meanwhile, many shipping stocks headed south following a Goldman Sachs downgrade of dry-bulkers and a further decline in the Baltic Dry Index on weakening Chinese demand for iron ore imports to make steel. However, China COSCO rebounded on Thursday on a JP Morgan valuation upgrade, and rumours of its inclusion in Hong Kong's benchmark Hang Seng Index. Benefiting from surging gold and coal prices, Zijin Mining and China Coal recorded 45% and 59% increase in net profits in their interim results, respectively. Meanwhile, Beijing-based China South Locomotive on Monday began roadshows in Beijing, Guangzhou, Shenzhen and Shanghai to raise US\$1.3 billion in the A-share market. It will issue 750 million A shares to institutional investors and 2.25 billion shares for retail investors. Apart from that, it intends to sell H shares at 18- to 20-time its estimated earnings this year, which is about 30% to 35% discount to China Railway Group and China Railway Construction.

Looking ahead, the performance of the local stock market will very much depend on the interim results announcement of blue chip companies next week including, HSBC, Hang Seng Bank, Bank of East Asia, Standard Chartered Plc, MTRC, HK Electric, Cathay Pacific, Swire A, Hysan, etc. Market expects that the HSI may climb above 23,000.

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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 1st August	11,378.02*	2,325.55*	13,094.59	2,906.07	1,158.94	678.66	7,002.54
25th July	11,370.69	2,310.53	13,334.76	2,922.91	1,141.75	685.47	7,233.62
Change %	+7.33 +0.1%	+15.02 +0.7%	-240.17 -1.8%	-16.84 -0.6%	+17.19 +1.5%	-6.81 -1.0%	-231.08 -3.2%

Remarks: (*) closing as of 31st July 2008

Major Changes in Index Constituent Stocks (Week ended 1st August 2008)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @1/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
FIH	02038	HK\$7.3	+HK\$0.76	+11.62%	Broker report showed that wage growth in Guangdong has declined to single digit from 10%-20% earlier. FIH should be one of the beneficiary, among the downstream technology players.
China Merchant Holding	00144	HK\$29.45	-HK\$2.05	-6.51%	Morgan Stanley cut its target price to HK\$45.2 from HK\$49.3, even though maintaining its rating as overweight.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @1/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Shanghai Electric	02727	HK\$3.32	-HK\$0.41	-10.99%	The counter was down after management's comment of an expected margin decline of 2%-3% in 2009 due to surging steel costs.
CSC	02866	HK\$2.41	-HK\$0.44	-15.44%	Shares tumbled on Friday, falling to a 15-month low, after Lehman Brothers slashed its target price on the stock by nearly 28% to HK\$2.10 on a gloomy industry outlook.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @1/8/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinofert	00297	HK\$5.56	-HK\$0.56	-9.15%	Investors remained cautious on the outlook for mainland fertilizer sector, largely because of tighter policy risks that reduce earnings visibility.



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – July 2008	51.9	Consumer confidence index rose 51.9 in July from 51.0 in June, suggesting there had been no further deterioration in business or labor market conditions.
GDP (advanced) – Q2 2008	1.9%	The US economy expanded at an less-than-forecast 1.9% from April through June, less than forecast, after a 0.9% gain in the first quarter. The report also showed the economy contracted at a 0.2% rate in the last three months of 2007.
Initial jobless claims – the week ended 26 th July 2008	+44,000	Initial jobless claims increased by 44,000 to 448,000, reaching the highest level in more than five years, from a revised 404,000 the prior week.
Chicago Purchasing Managers' Index (PMI) – July 2008	50.8	The Chicago purchasing managers' index rose to 50.8 in July from 49.6 in June, showing expansion for the first time in six months. However, inflation concerns were heightened by news that the prices-paid component had leapt to 90.7 from 85.5, the highest reading since March 1980.

Forthcoming Important Announcements / Events

4 th August 2008 (Monday)	HK	:	HSBC Holdings Plc (00005) – interim results Hang Seng Bank (00011) – interim results Pacific Basin Shipping Limited (02343) – interim results Beijing Capital Land Limited (02868) – interim results
	US	:	Factory orders – June 2008
5 th August 2008 (Tuesday)	HK	:	Hongkong Electric Holdings Limited (00006) – interim results Hysan Development Company Limited (00014) – interim results Bank of East Asia (00023) – interim results HAECO (00044) – interim results MTR Corporation (00066) – interim results Standard Chartered Plc (02888) – interim results Phoenix Satellite Television Holdings Ltd (08002) – interim results Changan Minsheng APLL Logistic Co., Ltd (08217) – interim results
	US	:	ISM non-mfg survey – July 2008 FOMC announcement – July 2008 Cisco Systems Inc – Q4 FY2008 results Duke Energy Corp – Q2 FY2008 results Procter & Gamble Co – Q4 FY2008 results
6 th August 2008 (Wednesday)	HK	:	Cathay Pacific Airways Limited (00293) – interim results Chinese Estates Holdings Limited (00127) – interim results
	US	:	AIG Inc. – Q2 FY2008 results Blackstone Group – Q2 FY2008 results Devon Energy – Q2 FY2008 results Freddie Mac – Q2 FY2008 results Time Warner Inc – Q2 FY2008 results
7 th August 2008 (Thursday)	HK	:	Swire Pacific Limited (00019) – interim results Manulife Financial Corporation (00945) – Q2 2008 results Lenovo Group (00992) – Q1 2008 results
	US	:	Initial jobless claims – for the week ended on 2 nd August 2008 Pending home sales index – June 2008
8 th August 2008 (Friday)	HK	:	Ko Yo Ecological Agrotech (Group) Ltd (08042) – interim results New Chinese Medicine Holdings Ltd (08085) – Q1 2008 results
	US	:	Productivity and costs – Q2 2008 Wholesale trade – June 2008