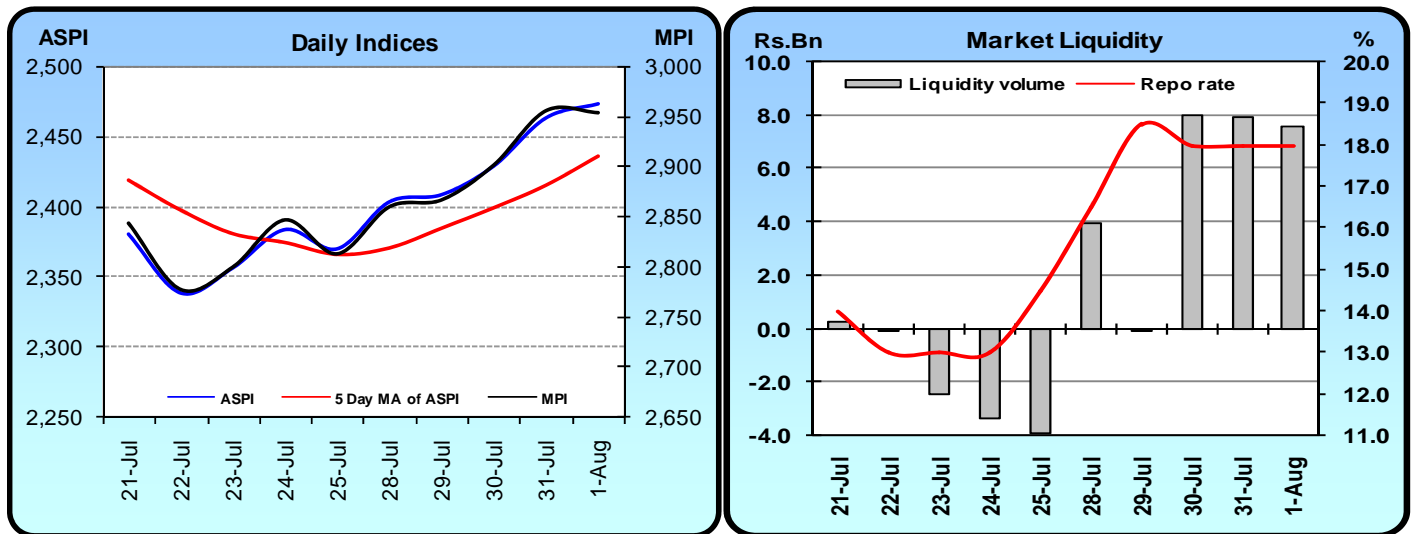


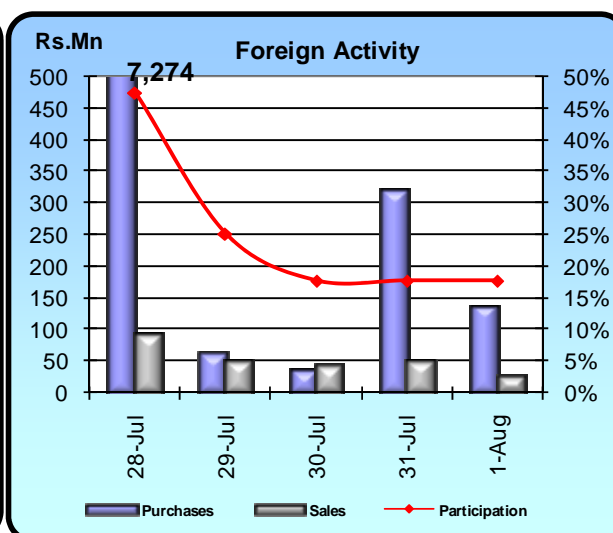
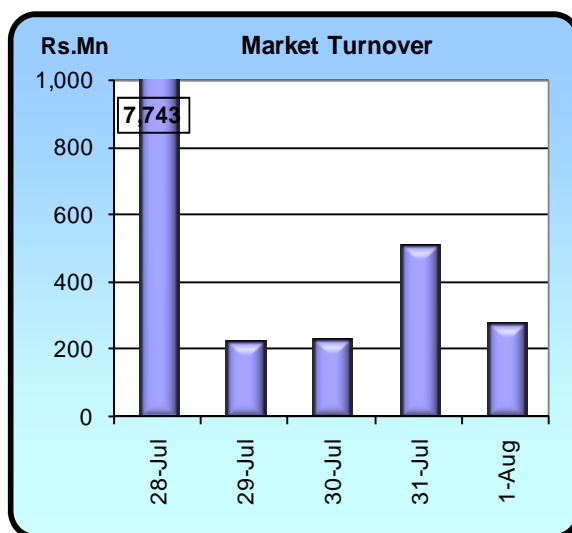
www.capitalalliance.lk



Company	25-Jul [Rs]	01-Aug [Rs]	Change [%]	Highest [Rs]	Lowest [Rs]	Volume	Turnover [Rs.Mn]
Top Five Gainers							
Kahawatte Plantations	30.50	37.75	23.8%	38.00	31.00	51,800	1.870
Ceylon & Foreign Trades	20.25	24.50	21.0%	27.50	19.25	911,800	22.017
Ceylinco Housing	24.00	29.00	20.8%	29.50	24.75	87,700	2.449
Seylan Merchant Bank (NV)	0.50	0.60	20.0%	0.70	0.60	1,027,300	0.616
John Keells Hotels	6.50	7.75	19.2%	8.00	6.75	665,700	4.870
Top Five Losers							
Carsons Cumberbatch	3700.00	250.00	-93.2%	260.00	248.00	16,600	4.544
East West Properties	13.50	7.50	-44.4%	7.75	7.25	352,100	2.666
Tokyo Cement	248.75	207.00	-16.8%	220.00	200.25	1,500	0.307
LB Finance	22.00	19.00	-13.6%	22.25	18.75	157,300	3.379
Vanik Incorporation (NV)	0.90	0.80	-11.1%	0.90	0.80	9,000	0.007
Top Five by Volume							
Associated Motorways	170.00	174.50	2.6%	175.00	167.50	42,463,374	7,409.584
Vallibel Power Erathna	4.30	4.60	7.0%	4.70	4.30	11,352,400	52.041
Nawaloka Hospitals	2.70	2.90	7.4%	3.20	2.60	9,799,000	28.938
John Keells Holdings	100.00	100.25	0.3%	110.00	99.50	2,651,900	265.363
Hayleys	146.75	147.75	0.7%	150.00	146.75	2,432,156	364.558
Top Five by Turnover							
Associated Motorways	170.00	174.50	2.6%	175.00	167.50	42,463,374	7,409.584
Hayleys	146.75	147.75	0.7%	150.00	146.75	2,432,156	364.558
John Keells Holdings	100.00	100.25	0.3%	110.00	99.50	2,651,900	265.363
Distilleries	88.00	88.00	0.0%	89.50	87.00	1,424,400	126.751
United Motors	56.50	63.00	11.5%	63.75	54.00	1,419,100	87.646

Market Summary

	Week Ending		Change %
	25-July	01-Aug	
Average Daily			
Turnover [Rs.mn]	146.7	1,796.1	1124.3%
Volume [mn]	4.8	20.6	333.5%
Foreign Purchases [Rs.mn]	23.7	1,566.8	6511.4%
Foreign Sales [Rs.mn]	17.8	53.2	274.5%
Net Foreign Purchases [Rs.mn]	5.9	1,513.6	15863.3%
Foreign Participation	14.1%	45.1%	249.0%
Closing			
ASPI	2,370.1	2,473.5	4.36%
MPI	2,813.2	2,953.5	4.99%
Market Capitalization [Rs.bn]	770.4	804.6	4.44%
Market PER [x]	8.32	8.69	
Market PBV [x]	1.23	1.29	



Sector Indices	Week Ending		Change %
	25-July	01-Aug	
Information Technology	93.39	111.27	19.15%
Power And Energy	83.28	92.12	10.61%
Telecommunications	207.45	224.63	8.28%
Hotels And Travels	1,252.67	1,356.35	8.28%
Land And Property	260.64	280.94	7.79%
Footwear And Textiles	809.67	822.76	1.62%
Diversified Holdings	656.32	666.4	1.54%
Manufacturing	1,291.27	1,296.85	0.43%
Oil Palms	22,340.63	22,412.66	0.32%
Stores And Supplies	12,948.45	12,948.45	0.00%

Market Summary

The bourse recorded its second highest turnover in the history this week as a strategic acquisition of 71% of Associated Motorways (one of the country's most highly respected family-owned business entities) for Rs.7 billion by Dubai based Al Futtaim Engineering LLC . Al Futtaim Engineering LLC is a Dubai- headquartered automotive, retail, electronics and financial services conglomerate. This large transaction was speculated in the third week of June at the close of trading when AMW's parent company Associated Electrical was said to have attracted investors.

Blue chip counters took the forefront this week with substantial crossings resulted in high market activities of AMW, Hayleys, JKH, Distilleries and United Motors contributing heavily towards the weekly turnover. The total market turnover amounted to heavy Rs.8.9 billion with an average daily turnover of Rs.1.8billion. Turnover witnessed a 1124.3% percent increase compared to the last week's market turnover of Rs.733 million.

Both indices commenced the week on a positive note where **All Share Price Index**(ASPI) reported a net gain of 103.35 points or 4.36%.The more sensitive **Millanka Price Index**(MPI) continued to be the same throughout the week collectively gaining 53.94 points up to Friday where the index reversed direction to close the week in red at 2,953.53 points. The highest ASPI recorded for the week stood at 2,473.45 on Monday.

FII activity depicted a considerable improvement this week as compared to the preceding three weeks. FII participation averaged at around 45.1% of total market activity with foreign investor interest remaining in the positive territory with a net inflow of Rs.7.56 billion, a 15863.3% increase compared to last week's net inflow of Rs.47.40million. Foreign activity showed a marked increase on Monday compared to the rest of the days of the week due to the take over by Dubai based conglomerate, Al- Futtaim, resulting in the FII participation averaging at 47.56 % of the total market activity of that day.

The deal resulted in **Associated Motorways (AMW)** continued to occur with over 42 million shares of the ticker changing hands this week to rank first in terms of volume. The counter contributed Rs.7.4 billion to the weekly turnover becoming the highest contributed stock of the week. During the week the share was traded at a highest of Rs.175 and at a lowest of Rs.167.50 before closing at Rs.174.50 per share on Friday, up by 2.6 percent Week on Week. Al Futtaim Engineering LLC purchased over 39 million shares of the stated capital of AMW at a price of Rs.174.50 per share with the total consideration amounting to well over Rs.6.5 billion.

Conglomerate **Hayleys PLC (HAYL)** – became the second highest in terms of turnover as well as ranking the fifth in terms of volume. The counter saw closer to 2.4million of its shares being traded to generate a turnover of approx. Rs.364 million. During the week the ticker was traded within the price band of Rs.150 and Rs.146.75 per share before closing at Rs.147.75on Friday, up by 0.7% Week on Week.

Conglomerate, **John Keells Holdings (JKH)** managed to contribute Rs.2.6 million to the weekly turnover becoming the third highest contributor. The counter witnessed nearly 265 million of its shares changing hands during the week in the range of Rs.110 and Rs.99.50 before closing at Rs.100.25 on Friday, up by marginal 0.3 % Week on Week. In announcement to the CSE, JKH stated that it had divested its 20% stake or 11,138, 808 shares in AMW on Monday morning (28th of July,2008) during trading at a price of

Rs.174.50 per share. The total consideration was Rs.1.94 billion and the capital gain for JKH is approximately Rs.1.03 billion.

High-cap **Distilleries (DIST)** with nearly 1.42 million shares traded during the week at a high of Rs.89.50 and at a low of Rs.87 contributed Rs.126.7 million to the weekly turnover becoming the fourth highest contributing stock before closing flat at Rs88 on Friday.

United Mortors (UML) was also active in the trading arena during the last week and became the fifth highest contributor to market turnover, contributing Rs.87.6 million to the market turnover. Nearly 1.4 million shares of the counter were traded during the week within the price range of Rs.63.75 and Rs.54.00 per share before closing at Rs.63.00 on Friday, up by 11.5 % Week on Week.

Market Announcements

Dividend Announcements

<i>Company</i>	<i>DPS [Rs]</i>	<i>XD</i>	<i>Payment</i>
Associated Electrical	9.00	11-Sep-08	15-Sep-08
Ceylon Tobacco (Second Interim Dividend)	2.77	05-Aug-08	15-Aug-08
Mercantile Shipping (First and Final Dividend)	2.50	DN	19-Sep-08
VidulLanka	0.50	11-Sep-08	17-Sep-08

Sub-division of Shares

<i>Company</i>	
Lanka Tiles	Each existing ordinary share of the company will be sub-divided into 07 ordinary shares. (Sub-division based on shareholding as at 25-July-08)

Special Announcements

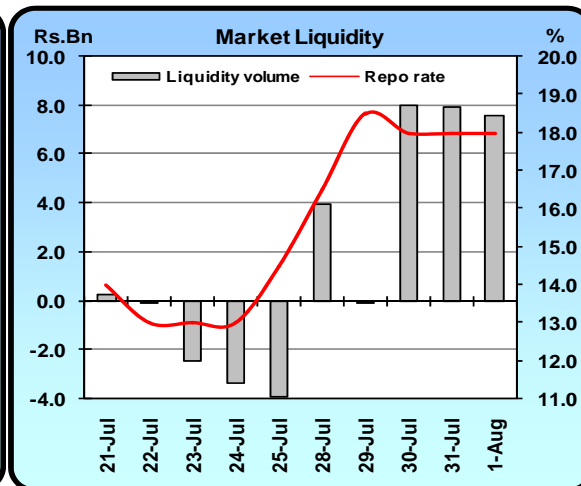
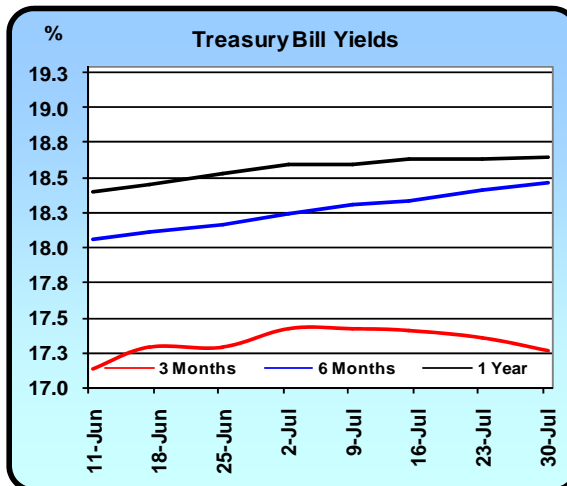
- **Associated Electrical-** Corporate Disclosure- sale of 28,461,400 of shares constituting 51.15% in the capital of Associated Motorways at a price of Rs.174.50 per share to Al-Futtaim Engineering.

- **Associated Motorways** - Al Futtaim has purchased 39,600,208 shares representing 71.15% of the stated capital of Associated Motorways at a price of Rs.174.50 per share for a consideration of Rs.6,910,236,296.
- A mandatory offer has been declared by Al Futtaim to purchase the entirety of the outstanding shares at Rs.174.50 per share.
- **Associated Electrical-** Mandatory offer by All-Futtaim Engineering to purchase the remaining ordinary shares (16,047,392) of Associated Motorways, at a price of Rs17.50.
- **John Keels Holdings** - Divesting 20% of stake (11,138,808) in Associated Motorways, at a price of Rs.174.50 per share. Total consideration amounted to Rs.1.94 bn. and capital gain is approximately Rs.1,03bn.
- **Miramar Beach Hotels** – Resignation of McLaren's Holiday Resorts as Managing agent of Kosgoda Beach Resort from 31st July, 2008. Consequently, McLaren's Holiday Resorts Ltd will be the managing agent of Miramar Beach Hotel
- **Hunters and Company** – The two resolutions that were discussed in the EGM held on the 23rd of July, 2008 regarding the never explained disappearance of Rs.2,500,000 with regard to the cheque dated 07.04.04 with Hatton National Bank in favor of Mahesh Gajanayake and Violation of Article 107 of the Company Articles of Association dated 16.12.2004 by the Board of Directors for granting themselves remuneration over the limit set out in the aforesaid Article, were not voted upon at the meeting.
- **Commercial Bank** - Interim Dividend of Rs1.50 per share of Voting and Non-voting shares. Payment Date- To be notified.
- **J.L Morison Son and Jones** – Final Dividend of Rs10.40 per share of Voting and Non-voting shares. Payment Date- To be notified. AGM-26th September 2008
- **Distilleries** – First and final dividend of Rs.1.75 per share. Payment Date- To be notified.

Interest Rates

Government Securities – Results of the Treasury Bill auction held on July 30, 2008.

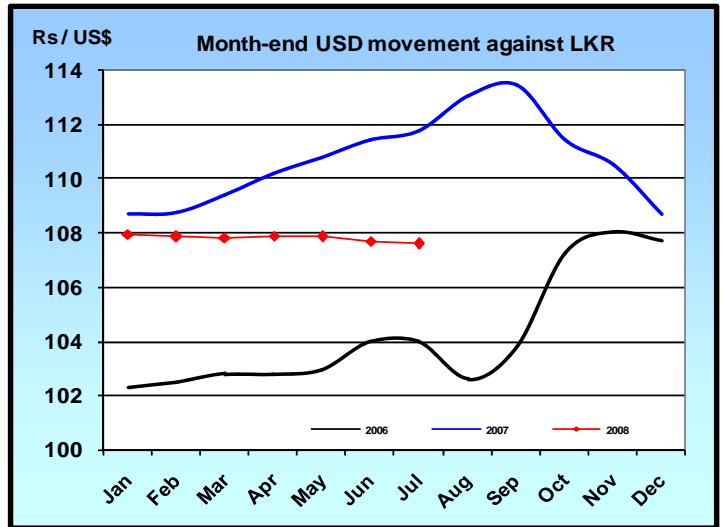
Maturity	Amount Offered	Bids Received	Amount Accepted	Weighted Average Yield		
				This Week	Last Auction	WoW Change
	[Rs.Mn]	[Rs.Mn]	[Rs.Mn]	[%]	[%]	[Basis Points]
3 Months	1,000	6,196	810	17.26	17.36	10
6 Months	2,500	4,100	1,245	18.46	18.41	-5
1 Year	3,000	4,226	675	18.65	18.63	-2
Total	6,500	14,522	2,730			



[% per annum]	Week Ending	
	25-July	01-Aug
Overnight Rate on Repurchase Agreements	10.50	10.50
Commercial Bank Average Weighted Prime Lending Rate [AWPLR]	18.15	18.99
Sri Lanka Inter Bank Offer Rate [SLIBOR]		
- Overnight	17.44	13.79
- 7 Days	17.54	16.29
- 1 Month	18.46	18.02
- 3 Months	18.88	18.81
- 6 Months	19.23	19.19
- 1 Year	19.48	19.63
	Month Ending	
	Jun-08	Aug-08
Commercial Bank Average Weighted Deposit Rate [AWDR]	10.92	10.93
Commercial Bank Average Weighted Fixed Deposit Rate [AWFDR]	16.14	16.28

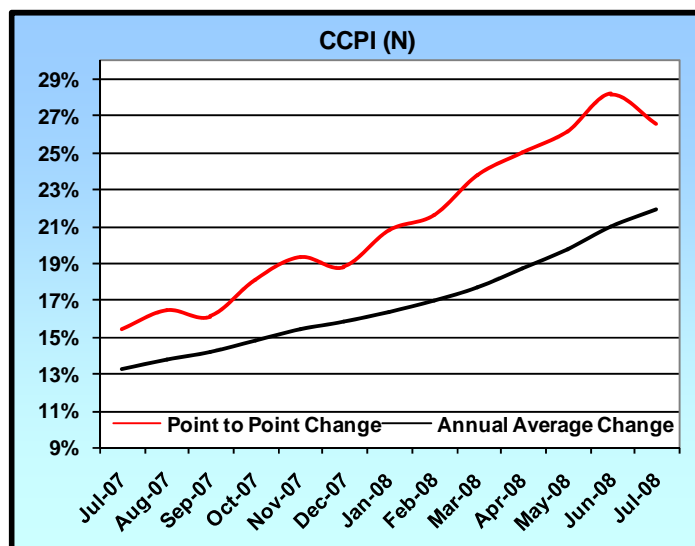
Currency Board

	Week Ending		
	25-July	01-Aug	Change
USD Exchange Rate (Rs/\$)			
- Average Middle Rate	107.62	107.61	-0.01%
- Forward 1 month	108.47	108.38	-0.08%
- Forward 3 months	110.19	110.18	-0.01%
British Pound	213.64	213.18	-0.22%
Euro	167.7000	167.45	-0.15%
Japanese Yen	1.00	1.00	-0.49%
Indian Rupee	2.5701	2.544	-1.02%
Australian Dollar	102.61	100.85	-1.72%
Singapore Dollar	79.06	78.64	-0.53%



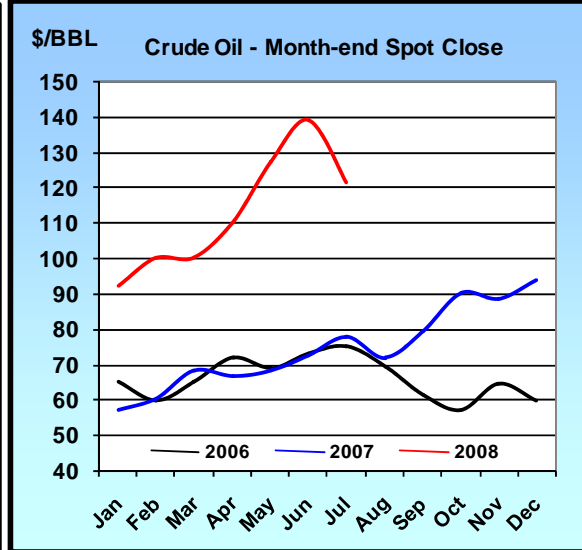
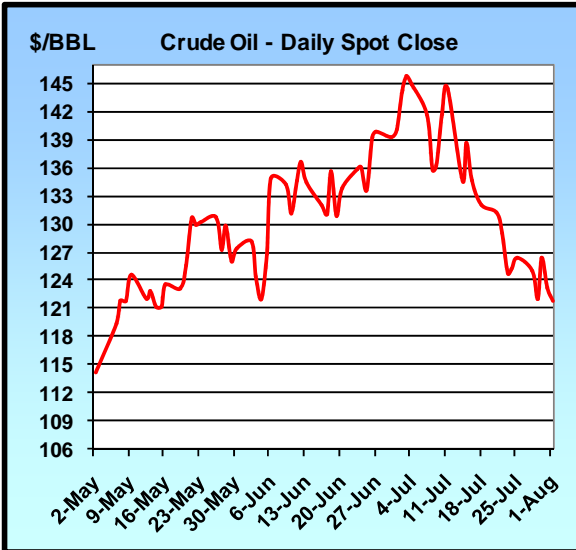
Inflation

	Month Ending		
	May-08	Jun-08	Jul-08
New Colombo Consumers' Price Index - CCPI(N) [2002=100]			
- Year on Year (Point to Point) Change/Inflation Rate	26.2%	28.2%	26.6%
- Annual Average Change/Inflation Rate	19.8%	21.0%	21.9%



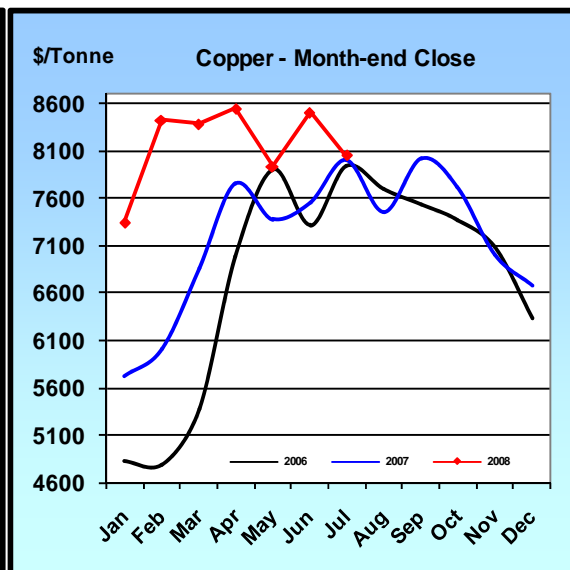
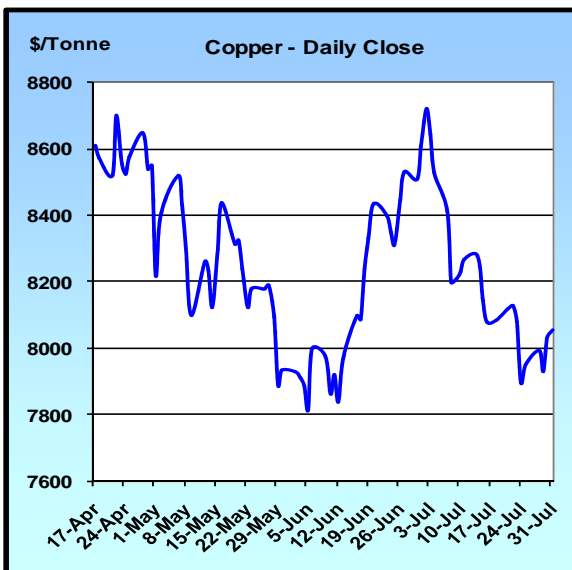
Crude Oil

[USD per Barrel]	Week ending	
	25-Jul	01-Aug
Dated Brent Spot Closing Price	126.43	121.82



Copper

[USD per Tonne]	Week ending	
	25-Jul	31-Jul
London Metals Exchange (LME) Copper Price	7,956	8,055



Tea Market Update
Colombo Tea Auction – Sales (kg) – Sale No: 30 – July 29, 2008

Elevation	This Week	Last Auction	Change	Cumulative		Change
	Sale 30-2008	Sale 29-2008		01-Jan to Date	Same Period	
	29-Jul-08	22-Jul-08		2008	2007	
High Grown	1,237,542	1,451,979	-14.8%	39,860,352	33,244,464	19.9%
Medium Grown	830,422	1,020,941	-18.7%	27,426,326	23,538,665	16.5%
Low Grown	2,935,370	3,381,740	-13.2%	102,198,073	88,595,886	15.4%
Total	5,003,334	5,854,660	-14.5%	169,484,751	145,379,015	16.6%

Colombo Tea Auction – Sales Averages (Rs/kg)

Elevation	2007	May-08	Jun-08	Jul-08	Sale 30-2008 29-Jul-08
High Grown	252.46	253.27	268.86	267.01	267.64
Medium Grown	242.35	284.06	288.12	280.93	274.28
Low Grown	298.66	361.33	382.20	289.26	384.28
Total	279.44	320.58	335.34	339.53	337.17

Tea Production according to Elevations (kg)

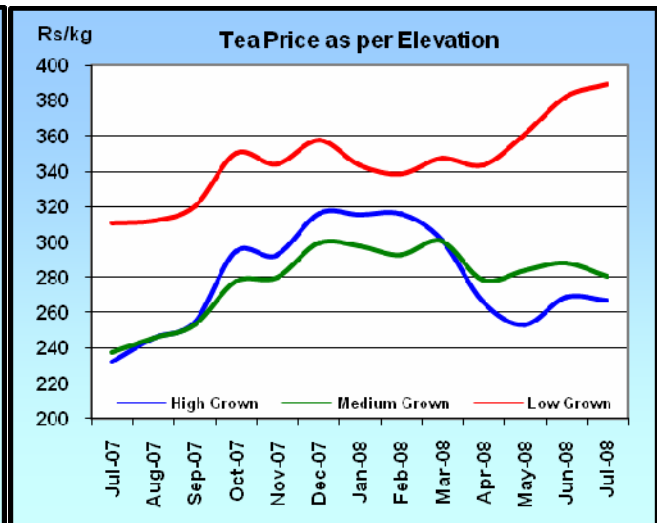
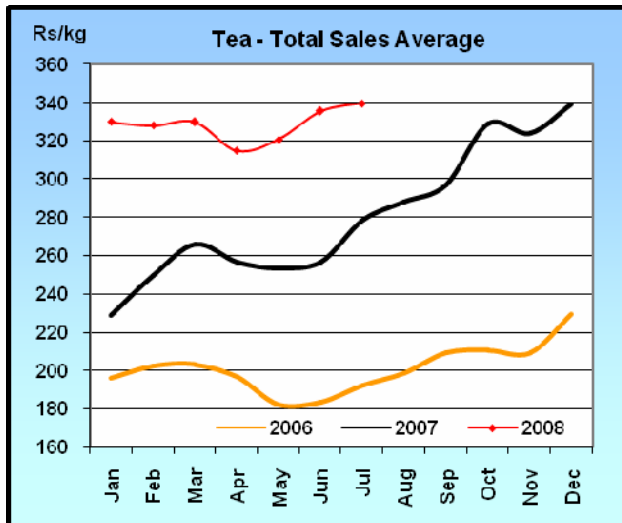
Elevation	June			January to June		
	2007	2008	Change	2007	2008	Change
High Grown	6,284,989	6,617,070	5.3%	36,850,090	42,484,504	15.3%
Medium Grown	4,399,341	5,234,848	19.0%	25,918,735	30,299,899	16.9%
Low Grown	12,810,371	15,458,907	20.7%	80,865,707	98,546,086	21.9%
Total	23,494,701	27,310,825	16.2%	143,634,532	171,330,489	19.3%

Tea Production according to Categories (kg)

Production	June			January to June		
	2007	2008	Change	2007	2008	Change
Orthodox	21,875,415	25,938,246	18.6%	132,757,724	161,954,453	22.0%
CTC	1,302,306	1,032,097	-20.7%	9,219,261	7,833,549	-15.0%
Total Black Tea	23,177,721	26,970,343	16.4%	141,976,985	169,788,002	19.6%
Green Tea	316,980	340,482	7.4%	1,657,547	1,542,487	-6.9%
Total	23,494,701	27,310,825	16.2%	143,634,532	171,330,489	19.3%

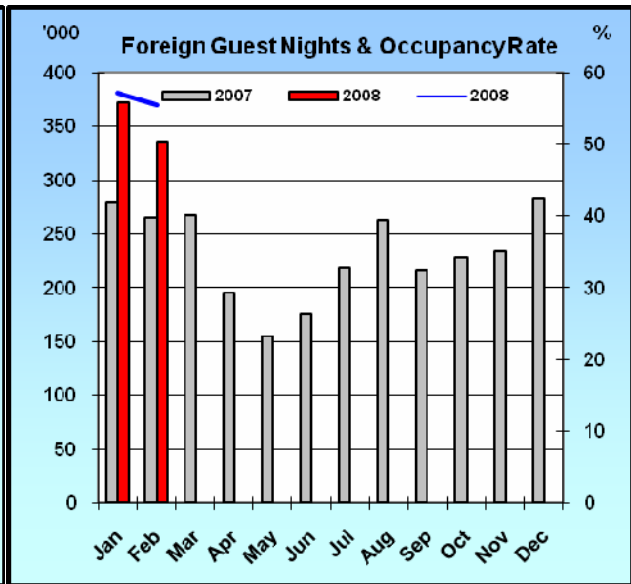
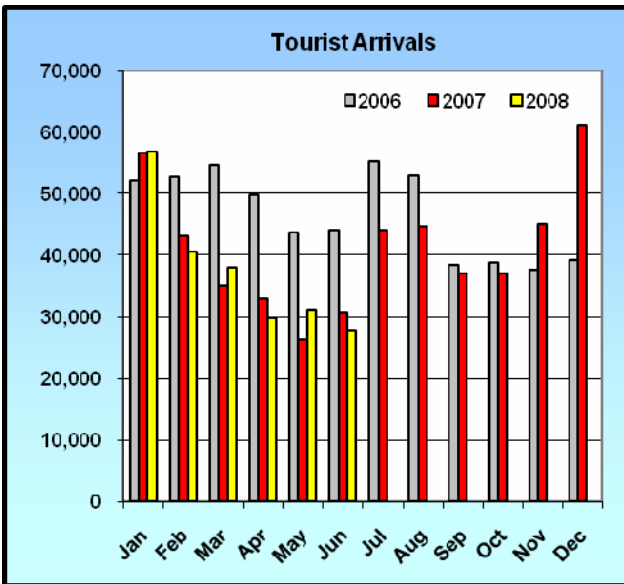
Analysis of Total Tea Production

Elevation - Breakdown	June-08	Jan-June 08
High Grown	24.2%	24.8%
Medium Grown	19.2%	17.7%
Low Grown	56.6%	57.5%
	100.0%	100.0%
CTC Production as a % of Black Tea Production	3.8%	4.6%



Tourist Arrivals

Sri Lanka	June			January to June		
	2007	2008	Change	2007	2008	Change
Tourist Arrivals	30,810	27,960	-9.3%	224,791	224,363	-0.2%
	February			January to February		
	2007	2008	Change	2007	2008	Change
Average Occupancy Rate	49.5%	55.5%		50.3%	56.4%	
Foreign Guest Nights	264,750	334,908	26.5%	544,290	707,203	29.9%



Weekly Report – Sources of Information:

- Colombo Stock Exchange – Equity Data
- Central Bank of Sri Lanka – Interest Rates, Exchange Rates & Inflation Statistics
- Capital Alliance Limited – Interest Rates
- Bloomberg – Commodity Prices
- The Colombo Brokers' Association – Tea Market Data
- Sri Lanka Tea Board – Tea Market Data
- Sri Lanka Tourist Board – Tourism Data

Weekly Report compiled by: Sajeewa Premaratne
research@capitalalliance.lk

The analyst responsible for producing the report does not work for Capital Alliance Securities (Private) Ltd. This report has been produced as part of an outsourced research relationship with a specialized research company engaged by Capital Alliance Securities (Private) Ltd. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources, believed to be reliable. Capital Alliance Securities (Private) Limited however does not warrant its completeness or accuracy. Opinions and estimates given constitute a judgment as of the date of the material and are subject to change without notice. This report is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The recipient of this report must make their own independent decision regarding any securities, investments or financial instruments mentioned herein. Securities or financial instruments mentioned may not be suitable to all investors. Capital Alliance Securities (Private) Limited its directors, officers, consultants, employees, outsourced research providers associates or business partner, will not be responsible, for any claims damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out actions taken as a result of this report. This report is for the use of the intended recipient only. Access, disclosure, copying, distribution or reliance on any of it by anyone else is prohibited and may be a criminal offence.

CAPITAL ALLIANCE

5th Floor, Millennium House, 46/58, Nawam Mawatha, Colombo 2, Sri Lanka

Tel: +94 11 231 7766, Fax: +94 11 231 7788

For further information, please contact:

Saliya Gamagedera: +94 11 231 7760

Lakshan Algama Perera: +94 777 447 407

Harsha Gunawardena: +94 11 231 7716

K. H. R. Thilakarathna: +94 11 231 7752

Milanka Induruwage: +94 777 261 893

Sandeep Fernando: +94 11 231 7716

Husna Rafeek: +9411 231 7722

Mangala Perera: +9411 231 7717

W. A. Susantha: +94 11 231 7757

Dumindu Silva: +94 11 231 7753

Milindu Arumawadu: +94 773 593 044

Chanaka Sanoj: +94 11 231 7755

Lulith Karunaratne (Matara) : +94 41 439 0610

Inok Wijesuriya (Matara):+94 41 439 0610

B. Mugundan (Jaffna): +94 21 459 1111

T. Dananjaya (Negombo) : +94 31 222 7843

