



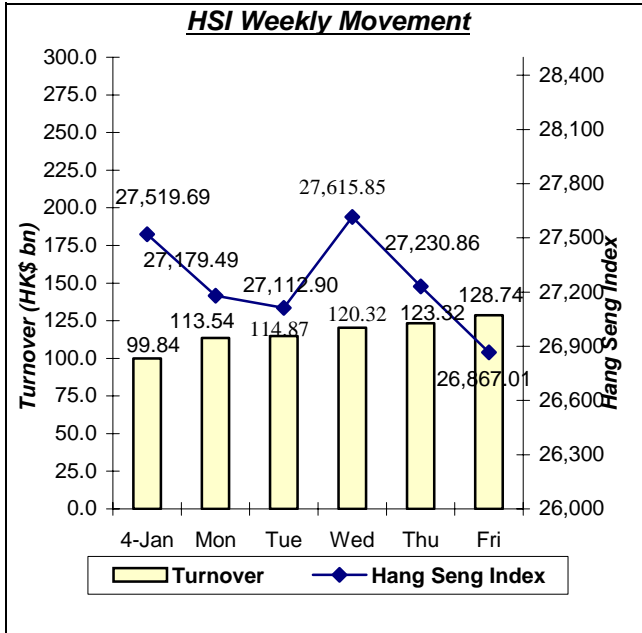
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Weekly Report

11th January 2008

A volatile week in HSI amid policy changes



Weekly Market Statistics

| Week ended | 11/01/08 | 04/01/2008 | Change | % |
|------------------------------|----------|------------|--------|--------|
| Hang Seng Index | 26,867 | 27,520 | -653 | -2.4% |
| HS Red Chip Index | 6,017 | 6,056 | -39 | -0.6% |
| HS China Enterprises Index | 15,834 | 15,903 | -70 | -0.4% |
| HS Composite Index | 3,837 | 3,889 | -52 | -1.3% |
| HS HK Composite Index | 2,839 | 2,916 | -76 | -2.6% |
| HS Mainland Composite Index | 5,080 | 5,107 | -27 | -0.5% |
| Growth Enterprise Index | 1,279 | 1,318 | -39 | -3.0% |
| Avg Daily Turnover (HK\$ bn) | 120.2 | 99.8 | +20 | +20.3% |
| Sectoral Indices | | | | |
| Finance | 37,535 | 38,528 | -994 | -2.6% |
| Utilities | 41,751 | 41,896 | -145 | -0.3% |
| Properties | 37,275 | 37,891 | -616 | -1.6% |
| Comm & Ind | 16,131 | 16,555 | -424 | -2.6% |

Review & Outlook of Market Performance

The local stock market remained volatile over the week on further rate cuts in the US, and news from the Mainland regarding the successful launch of gold futures, the announcement of price curbs and the approval of telecom sector reforms. The Hang Seng Index dived 653 points or 2.4% and closed at 26,867.01, while the H-share index was down 70 points or 0.4% and closed at 15,833.75. Average daily turnover was HK\$120.2 billion versus last week's HK\$99.8 billion suggesting improved sentiment.

Investors remained cautious after the series of mainland policy announcements and/or implementation over the week, which included: - (i) three more brokerages namely, Everbright Securities, Orient Securities and Huatai Securities, being approved to set up mutual funds for overseas equity investments. It was also reported that JP Morgan's chairman for China equities, Jing Ulrich, expected QDII fund sizes could hit US\$90 billion this year; (ii) the launch of gold futures which got off with a strong start in Shanghai on Wednesday; and (iii) price curbs on necessity goods to deal with inflation risk. Finally, in order to have more competition and consumer choices, the PRC Authorities signed off the long-awaited restructuring of the telecommunications industry with execution after the Beijing Olympics.

Looking forwards, volatile trading should remain in the scene amid worries that the US economy would enter into recession and raises the chance for the US Fed to have deeper rate cuts in the forthcoming FOMC meeting later this month. The week ahead will be heavily news-driven as we enter into the US major banks' results announcement period. In the near-term, market sentiment should not be too bad as both the PRC and the US governments are very determined to help prevent their economy from running into overheating and recession respectively. This should help limit the downside risk of the HSI despite there could still be policy execution risks.

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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 | | | | | | | |
| 11th January | 12,853.09* | 2,488.52* | 14,110.79 | 3,344.53 | 1,516.22 | 796.47 | 8,029.31 |
| 4th January | 12,800.18 | 2,504.65 | 14,691.41 | 3,437.79 | 1,466.67 | 821.71 | 8,221.10 |
| Change | +52.91 | -16.13 | -580.62 | -93.26 | +49.55 | -25.24 | -191.79 |
| % | +0.4% | -0.6% | -4.0% | -2.7% | +3.4% | -3.1% | -2.3% |

Remarks: (*) closing as of 10th January 2008.

Major Changes in Index Constituent Stocks (Week ended 11th January 2008)
Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @11/01/08 | W-O-W Change | | Remarks / Comments |
|-----------------|------------|-------------------------|--------------|---------|---|
| | | | Absolute | % | |
| China Unicom | 0762 | HK\$18.68 | +HK\$2.1 | +12.67% | Investors highly expected that this weaker operator would be benefited from the latest telecom restructuring plan in the Mainland. Under the plan, China Unicom's GSM mobile business will join with China Netcom while China Telecom, the biggest fixed-line operator, will acquire Unicom's CDMA mobile-telephone business. |
| Esprit Holdings | 0330 | HK\$96.00 | -HK\$16.90 | -14.97% | Massive sell-off of these stocks, which triggered by fears that US might enter into recession and eventually drag down the global growth. |
| Li & Fung | 0494 | HK\$25.35 | -HK\$5.65 | -18.23% | |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @11/01/08 | W-O-W Change | | Remarks / Comments |
|----------------------------|------------|-------------------------|--------------|---------|--|
| | | | Absolute | % | |
| China Shipping Development | 1138 | HK\$23.1 | +HK\$1.90 | +8.96% | The best performed stock in the HSCEI that reported a 65.45% jump in 2007 earnings, profiting from global demand for coal. |
| Sinopec Corp | 0386 | HK\$10.48 | -HK\$1.18 | -10.12% | The worst performed share in the index amid Beijing's imposition of price control to deal with the inflation problem. |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @11/01/08 | W-O-W Change | | Remarks / Comments |
|--------------|------------|-------------------------|--------------|---------|---|
| | | | Absolute | % | |
| Sinofert | 0297 | HK\$6.99 | -HK\$1.31 | -15.78% | Share hit hard upon Beijing's intervention to brake rising prices. |
| Lenovo Group | 0992 | HK\$5.57 | -HK\$1.62 | -22.53% | The worst performed stock in the index amid of lowering expected IT spending on a possible US recession/slow down and rising costs. |



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