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HONG KONG RESEARCH

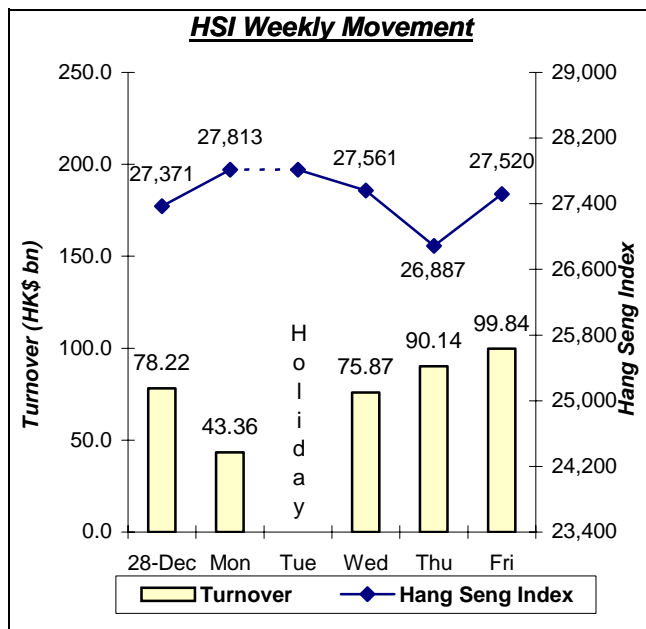
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Weekly Report

4th January 2008

A sluggish start for 2008



Weekly Market Statistics				
Week ended	04/01/2008	28/12/2007	Change	%
Hang Seng Index	27,520	27,371	+149	+0.5%
HS Red Chip Index	6,056	5,994	+62	+1.0%
HS China Enterprises Index	15,903	15,991	-88	-0.6%
HS Composite Index	3,889	3,874	+15	+0.4%
HS HK Composite Index	2,916	2,865	+50	+1.8%
HS Mainland Composite Index	5,107	5,130	-23	-0.5%
Growth Enterprise Index	1,318	1,328	-10	-0.8%
Avg Daily Turnover (HK\$ bn)	77.3	82.7	-5	-6.5%
Sectoral Indices				
Finance	38,528	39,245	-717	-1.8%
Utilities	41,896	40,296	+1,600	+4.0%
Properties	37,891	36,665	+1,226	+3.3%
Comm & Ind	16,555	16,263	+292	+1.8%

Review & Outlook of Market Performance

The local stock markets swung between positive and negative territories during the first trading week of 2008, as the market is still sketching the investment strategy for the Olympic year. Stocks traded lower during the 1st two sessions of 2008, as inflation fear escalated after crude oil prices hit a new record high above US\$100 a barrel, while portfolio rebalancing and profit taking by fund managers with global focus also led to pressure on the local stock market. The Hang Seng Index was little changed over the week with a small w-o-w gain of 149 points or 0.5% at 27,519.69, while the H-share index dipped 0.6% at 15,903.40.

Hong Kong stocks showed divergent performances over the week, amid different interest rate expectations in the PRC and the US. Mainland banking counters and property developers remained under pressure, as the Mainland authorities may take additional austerity measures to cool down its economy. In contrast, local property developers and landlords showed much better gains, especially MTRC – the largest listed developer in terms of land bank in town, as the US Fed reiterated in its latest FOMC minutes that it would cut rates if economic conditions deteriorate. Amongst other winners, gold miners rose sharply on rising bullion prices, while PRC consumer plays finished the week with decent gains amid speculative buying on the 2008 Beijing Olympics theme.

HK equities failed to impress with a sluggish 2008 debut. However, it is not disappointing given a strong gain of 37.8% and 53.8% in the blue-chip index and the H-share index for last year, respectively. In the near term, the stock market may sway back and forth amid news of policy changes, sector reforms, as well as glimpse of 2007 earnings results. Nonetheless, the downside should be well protected, as persistent fund inflows (e.g. QDII) from the Mainland and a potential US rate cut by the end of this month should support share prices. We see the Hang Seng Index should have good support at 27,000.

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US & Regional Markets Weekly Update

Remarks: (*) closing as of 3rd January 2008

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
4th January	13,056.72*	2,602.68*	14,691.41	3,437.79	1,466.67	821.71	8,221.10
28th December	13,365.87	2,674.46	15,307.78	3,445.82	1,447.04	858.10	8,396.95
Change	-309.15	-71.78	-616.37	-8.03	+19.63	-36.39	-175.85
%	-2.3%	-2.7%	-4.0%	-0.2%	+1.4%	-4.2%	-2.1%

Major Changes in Index Constituent Stocks (Week ended 4th January 2008)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @4/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
MTRC	0066	HK\$32.00	+HK\$3.95	+14.08%	MTRC, which holds the largest land bank among listed property developers in the territory, was the biggest gainer in the HSI during the week, as investors are expecting MTRC to benefit from property development atop its new railway projects.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @4/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$13.44	+HK\$1.78	+15.27%	Gold miners were among the winners amid rising bullion prices. International gold prices surged over the week, after NYMEX crude oil futures price hit US\$100 per barrel triggering inflation fear.
China Communications Construction	1800	HK\$22.75	+HK\$2.65	+13.18%	CCCC rallied on bargain hunting, tracking strong gains in its bigger rival China Railway (0390). Meanwhile, news reported that CCCC has made the lowest bids for the six phases of the Beijing-Shanghai high-speed railway project, but the result is not yet announced.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @4/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$2.65	+HK\$0.56	+26.79%	Kingway jumped sharply, as the market chased after Mainland consumer plays ahead of the 2008 Beijing Olympics.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing home sales – November 2007	+0.4%	Existing home sales rose 0.4% m-o-m in Nov 07 to an annual rate of 5 million units, after a drop in Oct 07.
ISM manufacturing index – December 2007	47.7	The ISM manufacturing index fell to 47.7 in Nov 07 from 50.8, much worse than the consensus forecast of 50.5. It fell for the first time in the last 11 months below a reading of 50, implying a contraction in the US manufacturing sector.
Construction spending – November 2007	+0.1%	Construction spending grew a better-than-expected 0.1% in Nov 07, thanks to business and government spending.
Factory orders – November 2007	+1.5%	Factory orders jumped in Nov 07, largely due to rising crude oil prices and strong demand for energy. Orders for non-defence goods excluding aircraft, a widely used indicator for capital spending among business companies, fell for the second consecutive months by 0.1% after a 3% drop in Oct 07.
Initial jobless claims – the week ended 22 nd December 2007	-21,000	Initial jobless claims fell 21,000 to 336,000 last week from a two-year high reported in the previous week, slightly better than market expectations.

Forthcoming Important Announcements / Events

7 th January 2008 (Monday)	HK	:	No important announcement/ event
	US	:	No important announcement/ event
8 th January 2008 (Tuesday)	HK	:	No important announcement/ event
	US	:	Pending home sales – November 2007 ALCOA Inc – Q4 2007 results
9 th January 2008 (Wednesday)	HK	:	Public Financial (0626) – final results
	US	:	No important announcement/ event
10 th January 2008 (Thursday)	HK	:	Global Tech (Holdings) (0143) – final results Berjaya Holdings (HK) (0288) – interim results
	US	:	Initial Jobless Claims – the week ended 5 th January 2008
11 th January 2008 (Friday)	HK	:	Ming Fung Jewellery (0860) – final results Netel Technology (Holdings) (8256) – interim results
	US	:	Trade balance – November 2007

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