

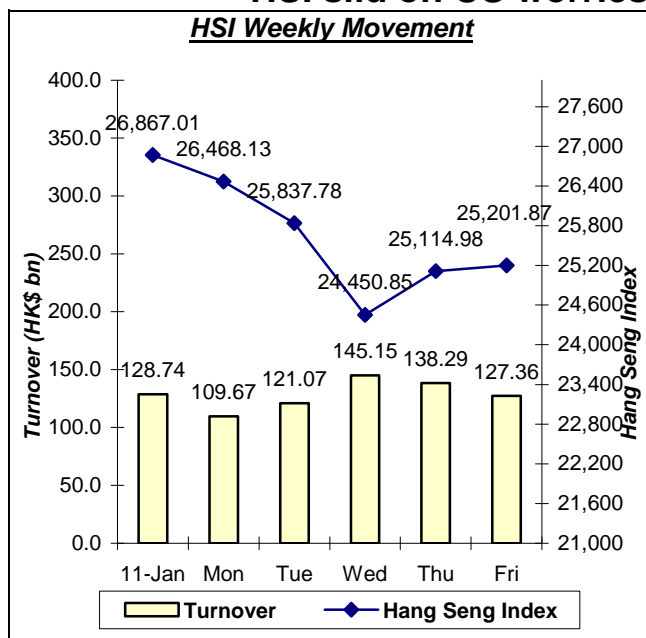
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Weekly Report

18th January 2008

HSI slid on US worries and Mainland measures



Weekly Market Statistics				
Week ended	18/1/2008	11/01/08	Change	%
Hang Seng Index	25,202	26,867	-1,665	-6.2%
HS Red Chip Index	5,458	6,017	-559	-9.3%
HS China Enterprises Index	14,561	15,834	-1,272	-8.0%
HS Composite Index	3,561	3,837	-277	-7.2%
HS HK Composite Index	2,696	2,839	-143	-5.0%
HS Mainland Composite Index	4,646	5,080	-434	-8.5%
Growth Enterprise Index	1,161	1,279	-118	-9.2%
Avg Daily Turnover (HK\$ bn)	128.0	120.2	+8	+6.5%
Sectoral Indices				
Finance	35,712	37,535	-1,823	-4.9%
Utilities	42,754	41,751	+1,003	+2.4%
Properties	35,190	37,275	-2,084	-5.6%
Comm & Ind	14,774	16,131	-1,357	-8.4%

Review & Outlook of Market Performance

Hang Seng Index started off the week with a 3-day correction and the market even sank 5.4% on Wednesday, its biggest percentage drop since the 11th Sept, 2001 after an overnight sell-off on Wall Street and on news that Citigroup Inc. had lost nearly US\$10 billion in the 4th quarter as it wrote down its bad mortgage assets. The benchmark HSI finished at 25,202 points, down 1,665 points or 6.2% w-o-w. Average daily turnover was HK\$128.0 billion versus last week's HK\$120.2 billion.

The mainland shares continued to be haunted by the austerity measures. On Wednesday, the National Development and Reform Commission announced that producers, wholesalers, and retailers of daily necessities such as grain, cooking oil, and milk will need to ask for permissions before raising prices. Noodle maker Tingyi (0322), beverage manufacturer Uni-President China (0220) and milk producer Mengniu Dairy (2319) tumbled 7.7%, 12.2% and 8.5% respectively in the following day. On the other hand, PBOC raised commercial banks' reserve requirement ratio to 15%, the 11th hike since the start of 2007, which put further pressure on mainland property developers in financing amid their recent price weaknesses. Big names such as R&F Properties (2777) and China Overseas Land (0688) have corrected 50% and 34% respectively since their peaks in November 2007.

On the IPO front, Maoye International Holdings (0848), SFK Construction Holdings (0301) and Changsheng China Property (1863) will all open their retail IPO books. However, it is expected that they will only receive lukewarm response from investors amid the recent pessimistic market sentiment.

Looking ahead, the domestic market should continue to be hammered by the negative global market sentiment. There are not many economic figures to be released next week but the earnings release of Bank of America next Tuesday may give some indications on the situation of US subprime crisis. Investors are also expecting a 75bps rate cut by US Federal Reserve in late January that could at least lend support to the weak US stock market.

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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							
18th January	12,159.21*	2,346.90*	13,861.29	3,104.25	1,439.49	789.67	8,184.65
11th January	12,606.30	2,439.94	14,110.79	3,287.34	1,516.22	796.47	8,029.31
Change	-447.09	-93.04	-249.50	-183.09	-76.73	-6.80	+155.34
%	-3.5%	-3.8%	-1.8%	-5.6%	-5.1%	-0.9%	+1.9%

Remarks: (*) closing as of 17th January 2008.

Major Changes in Index Constituent Stocks (Week ended 18th January 2008)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @18/01/08	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	0005	HK\$118.40	- HK\$5.20	- 4.21%	Citigroup's worse-than-expected quarterly losses stoked fears HSBC would need to set aside billions more in bad-loan provisions.
CLP Holdings	0002	HK\$60.55	+ HK\$1.90	+ 3.24%	Utilities were the rare gainers this week as they have very little to do with the worsening U.S. economy and were seen as a safe haven in a troubled market.
HK Electric	0006	HK\$45.50	+ HK\$2.50	+ 5.81%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/01/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China COSCO	1919	HK\$16.60	- HK\$5.70	- 25.56%	China's shipping stocks were hit by the expectation that cargo demand would fall in line with a global stagnancy. The Baltic Dry Index, an indicator of average dry bulk freight rates, dropped to its lowest level on 17 th Jan 2008, since November 2007.
CSCL	2866	HK\$3.48	- HK\$0.91	- 20.73%	
Sinotrans	0598	HK\$2.61	- HK\$0.58	- 18.18%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/01/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Power	2380	HK\$2.63	- HK\$0.54	- 17.03%	Electricity stocks continued to slump as the State Council decided to freeze prices of public utilities on 9 th Jan 2008.

Summary of US Economic News

Indicator	Change/Index	Comments
Producer Price Index M/M change – Dec 2007	-0.1%	Overall producer prices edged down, indicating that inflation might pause at least temporarily.
Retail Sales M/M change – Dec 2007	-0.4%	Retail sales slowed sharply in Dec, following a strong holiday season start in Nov. The worse-than-expected figure was seen by many investors as a sign of recession.
Consumer price index M/M change – Dec 2007	+0.3%	The consumer price inflation was moderate, favouring the Fed's likely interest rate cut on January 30.
Industrial Production M/M change – Dec 2007	0.0%	The figure surprised on the upside against the consensus of -0.2%, but remained very weak.
Housing starts - Dec 2007	+1.006M	Housing starts fell sharply, indicating that housing sector might be worse than most believed. On a year-on-year basis, overall starts were down 38.2% in December.

Forthcoming Important Announcements / Events

21 st January 2008 (Monday)	HK	:	QPL International Holdings Ltd (0243) – interim results Macau Success Ltd (0487) – final results Simson International Corporation Ltd (0993) – interim results
	US	:	No important announcement / event
22 nd January 2008 (Tuesday)	HK	:	Consumer Price Index – Dec 2007 China Green (Holdings) Ltd (0904) – interim results
	US	:	Bank of America Corp – 4Q 2007 results Tellabs – 4Q 2007 results CSX Corp – 4Q 2007 results Regions Financial Corp – 4Q 2007 results Johnson & Johnson – 4Q 2007 results Texas Instruments – 4Q 2007 results
23 rd January 2008 (Wednesday)	HK	:	Huafeng Textile Int'l Group Ltd (0364) – final results Pico Far East Holdings Ltd (0752) – final results
	US	:	Motorola Inc. – Q4 2007 results QUALCOMM Inc. – Q1 2008 results Abbott – Q4 2007 results Symantec – Q3 2008 results QLogic – Q3 2008 results Citrix Systems – Q4 2007 results
24 th January 2008 (Thursday)	HK	:	External Trade Balance – December 2007
	US	:	Initial Jobless Claims – the week ended 19 th January 2008 Existing Home Sales – December 2007 Amgen – Q4 2007 results Broadcom – Q4 2007 results Compuware Corporation – Q3 2008 results Xerox Corporation – Q4 2007 results The Hershey Company – Q4 2007 results Textron Inc. – Q4 2007 results
25 th January 2008 (Friday)	HK	:	No important announcement / event
	US	:	Honeywell – Q4 2007 results W.W. Grainger – Q4 2007 results Caterpillar Inc. – FY2007 results Harley-Davidson – Q4 2007 results Weatherford International – Q4 2007 results Fortune Brands – Q4 2007 results

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