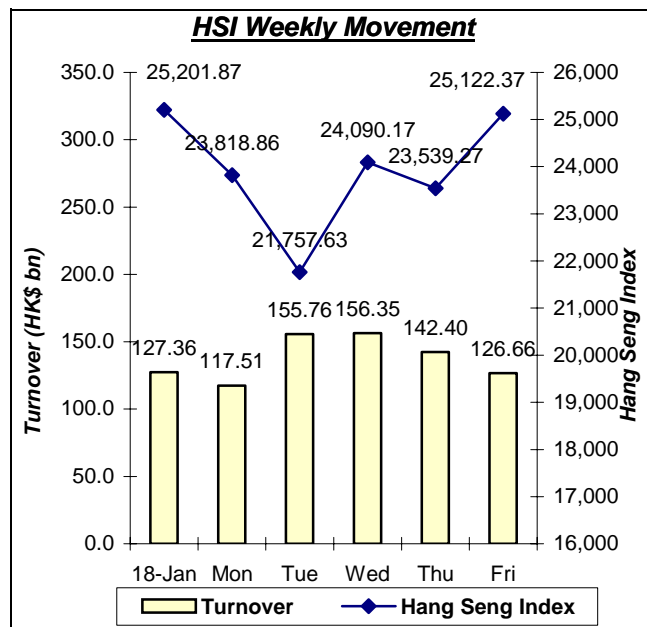


HSI ended the week nearly flat after a V-shaped rebound



Weekly Market Statistics				
Week ended	25/1/2008	18/1/2008	Change	%
Hang Seng Index	25,122	25,202	-80	-0.3%
HS Red Chip Index	5,444	5,458	-14	-0.2%
HS China Enterprises Index	14,016	14,561	-546	-3.7%
HS Composite Index	3,529	3,561	-31	-0.9%
HS HK Composite Index	2,689	2,696	-7	-0.3%
HS Mainland Composite Index	4,588	4,646	-58	-1.3%
Growth Enterprise Index	1,075	1,161	-86	-7.4%
Avg Daily Turnover (HK\$ bn)	139.7	128.0	+12	+9.2%
Sectoral Indices				
Finance	35,547	35,712	-165	-0.5%
Utilities	41,409	42,754	-1,345	-3.1%
Properties	35,550	35,190	+359	+1.0%
Comm & Ind	14,738	14,774	-36	-0.2%

Review & Outlook of Market Performance

The Hong Kong stock market was extremely volatile and traded in wide range this week following plunge of the global markets and worries of further monetary tightening in China. The blue-chip index once dropped below the 250-days moving average but bounced back sharply, following a surprised inter-FOMC meeting rate cut of 75bps and respective rate-cut from local banks. During the week, the HSI hit a low at 21,757.63 – down as much as 13.7% from last Friday's close, but rebound to dip only 0.3% w-o-w at 25,122.37.

The global equities sell-off on Monday and Tuesday was reported to relate to Societe Generale, which discovered last Friday a trading fraud and had to unwind the position by selling the respective stock futures, resulting in a loss of €4.9 billion. The huge selling order triggered a market slump in Europe on Monday, followed by a plunge in Asia on Tuesday. The US Fed reacted by cutting Fed funds rate by a sharp 75bps before the Tuesday opening bell (Monday is a US holiday) in order to soothe market sentiment. While the SG fraud report went public only on Thursday, the global equities market rebounded sharply amid bargain hunting and short covering, as investors regarded the sell-off as a one-off event. In Hong Kong, most blue chips and big caps were traded in great volatility, with some seeing daily range of more than 10%. Owing to volatile market conditions, two IPOs were called off or postponed. Meanwhile, China said its GDP grew 11.4% in 2007 after an 11.2% growth in Q4. CPI surged 4.8% in 2007, but the pace stayed high at 6.5% in Dec. 2007. All in all, the set of economic data was in line with expectations. Nonetheless, the policy outlook turned mixed, as the market began to have different views at whether Beijing would keep its tightening bias amid a possible recession in the US economy.

For the coming week, the two-day FOMC meeting (Tue & Wed) will be closely monitored, as the market is expecting another 50bps rate-cut from the US Fed. HK equities would move higher, if the FOMC decision could meet with market expectations. The near-term resistance of the HSI now stands at near 25,800.

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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							
25th January	12,378.61*	2,349.73*	13,629.16	3,159.48	1,405.40	759.72	7,739.59
18th January	12,099.30	2,340.02	13,861.29	3,104.25	1,439.49	789.67	8,184.65
Change	+279.31	+9.71	-232.13	+55.23	-34.09	-29.95	-445.06
%	+2.3%	+0.4%	-1.7%	+1.8%	-2.4%	-3.8%	-5.4%

Remarks: (*) closing as of 24th January 2008**Major Changes in Index Constituent Stocks (Week ended 25th January 2008)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @25/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life	2628	HK\$33.50	-HK\$2.80	-7.71%	The two Mainland insurance giants underperformed due to a weak Chinese stock market. Meanwhile, Ping An said it plans to raise about RMB160 billion via an A-share placement and a bond offering. However, investors blamed on the aggressive fund-raising plan during weak market sentiment.
Ping An Insurance	2318	HK\$68.2	-HK\$4.45	-6.13%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @25/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$7.86	-HK\$2.02	-20.45%	Shares of Air China slumped on uncertainty around the acquisition talk between its parent company CNAC and rival China Eastern Airlines. CNAC revealed that it has submitted the tie-up proposal to CEA, but CEA said the proposal is incomplete and insincere. CNAC later said they would not re-submit a more detail proposal unless CEA's management starts negotiation.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @25/1/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$18.06	+HK\$0.26	+1.46%	Unicom's management was quoted as saying that it sold about 9.63 million CDMA mobile phones in 2007, doubled that from a year earlier. Meanwhile, Goldman Sachs upgraded the counter from "Neutral" to "Buy", citing that the dual-mobile network (GSM & CDMA) operator would benefit the most from the upcoming industry reshuffle.

Summary of US Economic News

Indicator	Change/Index	Comments
Federal Reserve's Fed funds rate target	-75 bps	The Federal Reserve cut the benchmark interest rate by 75bps to 3.5%, before next week's scheduled FOMC meeting, trying to revive the battered US economy. A further 50bps cut is expected during the regular FOMC meeting next week.
Initial jobless claims – the week ended 19 th January 2008	-1,000	Initial jobless claims fell 1,000 to 301,000 last week, dropping for the fourth straight week and pushing down the claims level to a new four-month low. The US jobs market seemed to hold well despite subprime woes, but economists warned that it may weaken in the near term due a sudden slowdown in the US economy.
Existing home sales – December 2007	-2.2%	Existing home sales dropped 2.2% m-o-m in Dec 07 to an annual rate of 4.89 million units. On a y-o-y basis, the number was down by 22%. For the full year of 2007, sales tumbled 12.8%, the biggest drop in 25 years.

Forthcoming Important Announcements / Events

28 th January 2008 (Monday)	HK	:	Sunway International (0058) – final results China Power New Energy (0735) – interim results Linmark Group (0915) – interim results BYD Company (1211) – interim results
	US	:	New home sales – December 2007 American Express Company – Q4 2007 results McDonald's Corporation – Q4 2007 results
29 th January 2008 (Tuesday)	HK	:	No important announcement/event
	US	:	Durable goods orders – December 2007 Consumer confidence – December 2007 3M Company – Q4 2007 results The Dow Chemical Company – Q4 2007 results Yahoo, Inc. – Q4 2007 results
30 th January 2008 (Wednesday)	HK	:	Clear Media (0100) – final results Esprit Holdings (0330) – interim results China National Resources (0661) – interim results
	US	:	GDP (advanced) – Q4 2007 FOMC policy statement Amazon.com, Inc. – Q4 2007 results Merck & Co., Inc. – Q4 2007 results Starbucks – Q1 2007/08 results The Boeing Company – Q4 2007 results
31 st January 2008 (Thursday)	HK	:	Retail sales – December 2007 SFK Construction (0301) – trading debut
	US	:	Personal income and spending – December 2007 Initial Jobless Claims – the week ended 26 th January 2008 Google – Q4 2007 results Procter & Gamble Company – Q2 2007/08 results
1 st February 2008 (Friday)	HK	:	No important announcement/ event
	US	:	Non-farm payrolls and jobless rate – December 2007 Construction spending – December 2007 ISM manufacturing index – January 2008 Consumer sentiment (revised) – January 2008 Chevron – Q4 2007 results ExxonMobil Corporation – Q4 2007 results

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