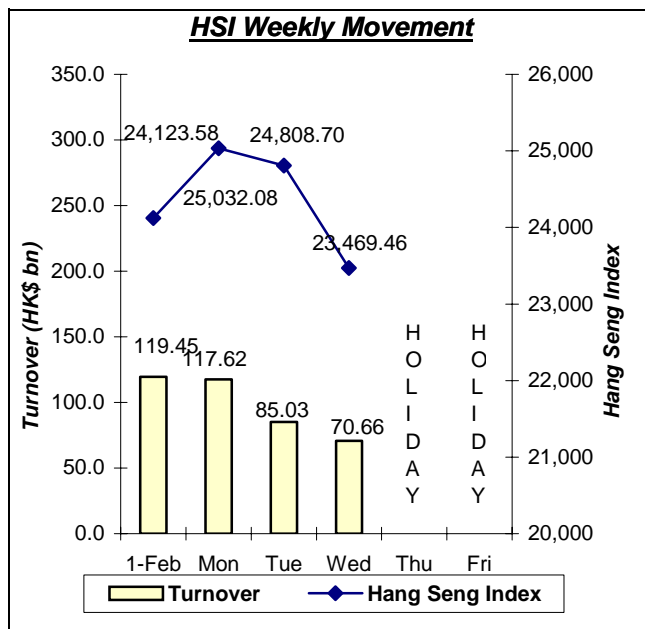


A poor ending for the Year of the Pig



<u>Weekly Market Statistics</u>				
Weekended	6/2/2008	1/2/2008	Change	%
Hang Seng Index	23,469	24,124	-654	-2.7%
HS Red Chip Index	5,260	5,308	-49	-0.9%
HS China Enterprises Index	13,067	13,285	-218	-1.6%
HS Composite Index	3,330	3,392	-62	-1.8%
HS HK Composite Index	2,514	2,591	-77	-3.0%
HS Mainland Composite Index	4,353	4,401	-48	-1.1%
Growth Enterprise Index	1,016	1,002	+15	+1.5%
Avg Daily Turnover (HK\$ bn)	109.3	107.1	+2	+2.1%
Sectoral Indices				
Finance	32,626	33,615	-989	-2.9%
Utilities	42,165	42,575	-410	-1.0%
Properties	31,676	32,825	-1,149	-3.5%
Comm&Ind	14,052	14,408	-357	-2.5%

Review & Outlook of Market Performance

Hong Kong stocks were buoyant in the first trading day of this week, which was shortened to 2½ days by the Lunar New Year holidays. The surge was led by mainland stocks, backed by the 8.13% jump in the Shanghai bourse, as officials bolstered investor confidence by approving two new investment funds and easing concerns that snowstorms sweeping across the country will hit company earnings. But the stocks plunged significantly on the last trading day in the Year of the Pig, in line with other Asian markets, after a steep drop on Wall Street as the economic data showed the US service sector shrank unexpectedly last month, the first time since March 2003. The HSI finished the short-trading week at 23,469.46, down 654.12 points or 2.71%, with an average daily turnover of HK\$109.3 billion.

Drawing the attention in this shortened week were several potential M&A deals. Firstly, Alibaba.com, China's largest e-commerce company, rose 9.3% as investors were excited about Microsoft's offer to acquire Yahoo Inc, which owns 33% of Alibaba.com's parent company. Secondly, Chalco's parent, Chinalco, teamed up with US peer Alcoa to buy an estimated 9% stake in the world's third-largest mining company for US\$14 billion. Finally, China Investment Corp and China Shenhua Group have been in informal talks to buy a 15.85% stake in Fortescue Metals, Australia's third-largest iron ore miner, in a deal worth US\$2 billion. The potential deals might give short-term boost to the market.

Looking forward into next week, the Bank of East Asia will kick-start the reporting season of banks in Hong Kong, followed by the Standard Chartered in late February and HSBC & Hang Seng Bank in early March. Investors should keep a close eye on the losses suffered by HK-listed banks on their subprime exposure so as to have more clues on the seriousness of the subprime debacle. On the global front, worries over the health of the US economy should put more weights on the local index and it is expected the local market would remain volatile in the medium run. The Hang Seng Index may trade down to 22,000 level before any meaningful rebound.

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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							
6th February	12,265.13*	2,309.57*	13,099.24	2,931.97	1,415.94	794.63	7,673.99
1st February	12,743.19	2,413.36	13,497.16	3,007.80	1,393.25	810.86	7,673.99
Change	-478.06	-103.79	-397.92	-75.83	+22.69	-16.23	+0.00
%	-3.8%	-4.3%	-2.9%	-2.5%	+1.6%	-2.0%	+0.0%

Remarks: (*) closing as of 5th February 2008

Major Changes in Index Constituent Stocks (Week ended 6th February 2008)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @6/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$27.00	-HK\$3.05	-10.15%	The sudden decline in the ISM non-manufacturing index on Tuesday raised concern of a US recession, hitting hard on the exporter counter.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @6/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Anhui Conch	0914	HK\$52.80	+HK\$5.00	+10.46%	Investors were convinced that there would be high demand for the material for reconstruction following the devastating snowstorms.
Chalco	2600	HK\$12.30	+HK\$0.06	+0.49%	Its parent company joined Alcoa of US to buy a 9% stake in the world's third largest mining company, Rio Tinto.
PICC P&C	2328	HK\$7.98	-HK\$0.08	-1.58%	It is expected that PICC, with about a 45% market share in non-life insurance, to be the hardest hit in the wake of the country's devastating snowstorms. It is estimated that the claims for property losses might reach RMB680 million.
Sinotrans	0598	HK\$2.41	-HK\$0.40	-14.23%	Shipping counters were weak amid global economic woes, following the release of the disappointing ISM Non-Mfg Survey in US.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @6/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Netcom	0906	HK\$22.90	-HK\$2.35	-9.31%	UBS downgraded the mainland's two leading fixed-line carriers, China Telecom and China Netcom from neutral to sell on valuation.

Indicator	Change/Index	Comments
ISM Mfg Index – Jan 2008	50.7	The index edged back over 50 level to 50.7, higher than the consensus of 47.0. The ISM data were positive and would bolster hopes that the economy is still above water.
Factory Orders – Dec 2007 M/M change	+2.3%	Factory orders jumped 2.3% in December, reflecting a 5.0% surge for durable goods, but pushed down by a 0.4% decline in nondurable orders. The strength in orders should limit concern over inventories, which showed a rising trend in the past two months.
ISM Non-Mfg Survey – Jan 2008	41.9	The index unexpectedly plunged to 41.9 in January from 54.4 in December, which is the most extreme move on record and the lowest reading since the 2001 recession.

11 th February 2008 (Monday)	HK US	: : : : :	No important announcement/event Hasbro, Inc – Q4 2007 results General Growth Properties Inc – Q4 2007 results Loews Corp. – Q4 2007 results Vulcan Materials – Q4 2007 results
12 th February 2008 (Tuesday)	HK US	: : : : : : : :	New Media Group (0708) – Trading debut Treasury Budget – January 2008 Applied Materials – Q1 2008 results Schering-Plough – Q4 2007 results Teradata – Q4 2007 results Wyndham Worldwide – Q4 2007 results Qwest Communications – Q4 2007 results General Motors Corp. – Q4 2007 results
13 th February 2008 (Wednesday)	HK US	: : : : : : : :	SW Kingsway Capital Holdings (0188) – Interim results Sincere Watch (Hong Kong) (0444) – Q3 2008 results Retail Sales – January 2008 Business Inventories – December 2007 Coca-Cola – Q4 2007 results NVIDIA Corporation – Q4 2008 results MGIC Investment Corp – Q4 2007 results Network Appliance – Q3 2008 results Genzyme Corporation – Q4 2007 results The DIRECTV Group, Inc – Q4 2007 results
14 th February 2008 (Thursday)	HK US	: : : : : : : : : :	Xinjiang Tianye Water Saving Irrigation (0840) – Final results Man Sang International (0938) – Q3 2008 results Manulife Financial Corp (0945) – Final results International Trade – December 2007 Initial Jobless Claims - the week ended 9 th February 2008 CenturyTel, Inc. – Q4 2007 results Allied Waste Industries, Inc. – Q4 2007 results Progress Energy – Q4 2007 results Comcast Corporation – Q4 2007 results Clear Channel Communications – Q4 2007 results Marriott International – Q4 2007 results
15 th February 2008 (Friday)	HK US	: : : : : : :	Bank of East Asia (0023) – Final results Empire State Mfg Survey – February 2008 Import and Export Prices – January 2008 Industrial Production – January 2008 Consumer Sentiment – February 2008 Abercrombie & Fitch Co. – Q4 2007 results Campbell Soup – Q2 2008 results

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