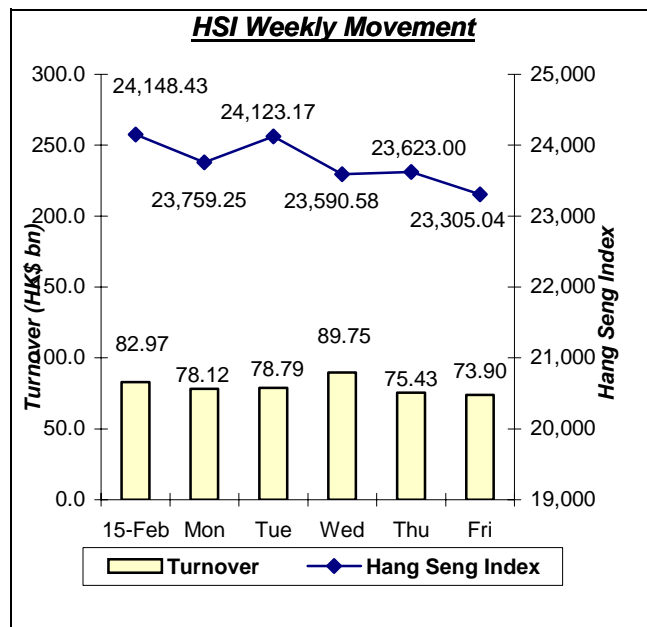


## HSI dived on more signs of downside risks



<b>Weekly Market Statistics</b>				
Week ended	22/2/2008	15/2/2008	Change	%
Hang Seng Index	23,305	24,148	-843	-3.5%
HS Red Chip Index	5,318	5,488	-170	-3.1%
HS China Enterprises Index	13,337	13,844	-507	-3.7%
HS Composite Index	3,331	3,440	-109	-3.2%
HS HK Composite Index	2,469	2,550	-81	-3.2%
HS Mainland Composite Inc	4,405	4,549	-143	-3.2%
Growth Enterprise Index	1,043	1,026	+17	+1.7%
Avg Daily Turnover (HK\$ bn)	73.9	80.7	-7	-8.4%
<b>Sectoral Indices</b>				
Finance	32,447	33,259	-812	-2.4%
Utilities	42,226	42,207	+19	+0.0%
Properties	30,179	32,887	-2,708	-8.2%
Comm & Ind	14,068	14,591	-523	-3.6%

## Review & Outlook of Market Performance

Investors took profits across the board after a four-day gaining streak on Monday. Bank names resumed active on Tuesday, upon the chairman of Bank of China's saying that the bank had made sufficient provisions to cover its exposure to the subprime credit and the UK government's decision to nationalise stricken lender Northern Rock. However, towards the end of the week, investors were disappointed by series of negative news, such as, the Fed's slashing of US growth forecasts, HSBC's head of Asia-Pacific saying that banks in Hong Kong might refrain from reducing rates because of inflationary pressures. Property sector posted the worst performance, which dropped by 8.2% w-o-w, while metal shares outperformed on higher commodity prices. Gold price even hit a record of US\$953.6 per ounce on 21 Feb 2008. Over the week, the Hang Seng Index dived 843.39 points or 3.49% to 23,305.04 while the HSCEI dropped 3.66% to 13,336.89. The average daily turnover was HK\$73.9 billion, lower than that of HK\$80.7 billion in the previous week.

Among the major news over the week, Hang Lung Property (#0101) started off the reporting season of major developers in Hong Kong on Wednesday, posted an interim net profit of HK\$7.272 billion in the first half of FY2008, vaulted by 218% growth y-o-y mainly due to the revaluation gain in investment properties, the timely disposal of the residential properties and the stellar growth in its leasing activities. Meanwhile, inflation in China accelerated to 7.1% in January, which was the worst in more than 11 years but in line with expectation. China's January PPI jumped by its highest level in three years to 6.1% as energy and food costs continued to rise after the transport disruptions caused by the harsh snowstorms. Separately, Hong Kong unemployment rate remained unchanged at 3.4% for the three-month period from November 2007 to January 2008. On policy front, there was news reporting that Beijing would announce restructuring plans for its telecom sector in details before the National People's Congress meeting next month.

In the coming weeks, Honghua Group, China Railway Construction, Want Want and Evergrande Real Estate will be in the HK IPO pipeline. Anyhow, the market seems continue lacking the catalysts for a rebound as investors would remain cautious as the market is highly vulnerable to any negative news and announcements amid deteriorating investment sentiments. We see the market may trade down to test the 22,500 level ahead of the expiry of the Feb 08 Hang Seng Index futures contracts next week.

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Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
22nd February	12,284.30*	2,299.78*	13,500.46	3,026.37	1,368.67	826.86	8,108.71
15th February	12,348.21	2,321.80	13,622.56	3,088.68	1,427.19	826.65	7,876.37
Change	-63.91	-22.02	-122.10	-62.31	-58.52	+0.21	+232.34
%	-0.5%	-0.9%	-0.9%	-2.0%	-4.1%	+0.0%	+2.9%

### US & Regional Markets Weekly Update

Remarks: (\*) closing as of 21<sup>st</sup> February 2008

### Major Changes in Index Constituent Stocks (Week ended 22<sup>nd</sup> February 2008)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Henderson Land	0012	HK\$58.00	-HK\$6.70	-10.36%	Shares hit most on the comment from the HSBC head of Asia-Pacific saying that Hong Kong banks might refrain from cutting rate due to the inflationary pressures.
New World Dev	0017	HK\$19.10	-HK\$2.40	-11.16%	
HKEX	0388	HK\$146.90	-HK\$17.80	-10.81%	Share dropped amid slumping turnover. Meanwhile, Goldman Sachs downgraded the stock to neutral from buy, saying a slowing Chinese economy and a possible U.S. recession would likely dampen the market sentiment.

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Jiangxi Copper	0358	HK\$18.90	+HK\$2.34	+14.13%	Shares gained on surging commodity prices such as gold and copper. Gold price hit a record of US\$953.6 per ounce on 21 Feb 2008.
Zijin Mining	2899	HK\$10.38	+HK\$1.05	+11.25%	
Tsingtao Brew	0168	HK\$23.10	-HK\$4.65	-16.76%	Share dived, despite that CRE (#291) planned to increase its capacity and beer sales by 20% this year to meet rising consumption and to make a major acquisition to strengthen its supermarket division.

#### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
China Food	0506	HK\$5.03	-HK\$0.60	-10.66%	China Food was downgraded to 'Neutral' from 'Buy' on slower growth in retail price for edible oil than wholesale price and the Mainland's policy control on any further increases in retail edible price.

**Summary of US Economic News**

Indicator	Change /Index	Comments
Consumer price index – January 2008	+0.4%	CPI rose more than expected, signalling inflation may still be a threat to the economy.
Housing starts – January 2008	+0.8%	Housing starts rose in line with consensus and was at 1.01 million. It was near the lowest level since 1991 last month, a sign the deepest property recession in 25 years could continue to weigh on the economy this year.
FOMC minutes – the 30 <sup>th</sup> January 2008 meeting	-	Federal Reserve officials cut their 2008 growth forecasts and said that rates should be held down "for a time". They also called inflation "disappointing," and some foresaw raising rates, possibly at a "rapid" pace once the economy recovers.
Initial Jobless Claims - the week ended 16 <sup>th</sup> February 2008	-9,000	Though decreased by 9,000 to 349,000 from a revised 358,000 a week earlier, it was still greater than consensus of 348,000. The four-week moving average of claims, a less volatile measure, rose to 360,500, the highest since October 2005 in the aftermath of Hurricane Katrina.
Leading economic indicators – January 2008	-0.1%	Leading economic indicators declined for the fourth straight month in January. With this month's decline, the leading index has fallen 2% from July 2007 to January 2008, the largest six-month decline in the index since early 2001.

**Forthcoming Important Announcements / Events**

25 <sup>th</sup> February 2008 (Monday)	HK	:	City e-Solutions Ltd (0557) – Final results Star Cruises Ltd (0678) – Final results Regent Manner International Holdings (1997) – Final results Glory Future Group Ltd (8071) – Final results
	US	:	Existing Home Sales – January 2008
26 <sup>th</sup> February 2008 (Tuesday)	HK	:	<b>Standard Chartered PLC (2888) – Final results</b>
	US	:	<b>Producer Price Index – January 2008</b> <b>Consumer Confidence – February 2008</b> <b>Home Depot – Q4 results</b>
27 <sup>th</sup> February 2008 (Wednesday)	HK	:	GDP – 4Q 2007 ASM Pacific Technology Ltd (0522) – Final results Digital China Holdings Ltd (0861) – Q3 2007 results
	US	:	Durable Goods Orders – January 2008 New Home Sales – January 2008 Washington Post Co – Q4 results
28 <sup>th</sup> February 2008 (Thursday)	HK	:	Trade Balance – January 2008 <b>CLP Holdings Ltd (0002) – Final results</b> <b>Hopewell Holdings Ltd (0054) – Interim results</b> Hopewell Highway Infrastructure Ltd (0737) – Interim results
	US	:	Initial Jobless Claims - the week ended 23 <sup>rd</sup> February 2008 GDP (preliminary) – Q4 2007 <b>Dell Inc – Q4 results</b> <b>Freddie Mac – Q4 results</b> <b>Gap Inc – Q4 results</b>
29 <sup>th</sup> February 2008 (Friday)	HK	:	Ming Fai (3828) – Final results
	US	:	Personal Income and Outlays – January 2008 NAPM-Chicago – February 2008 Consumer Sentiment – February 2008

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