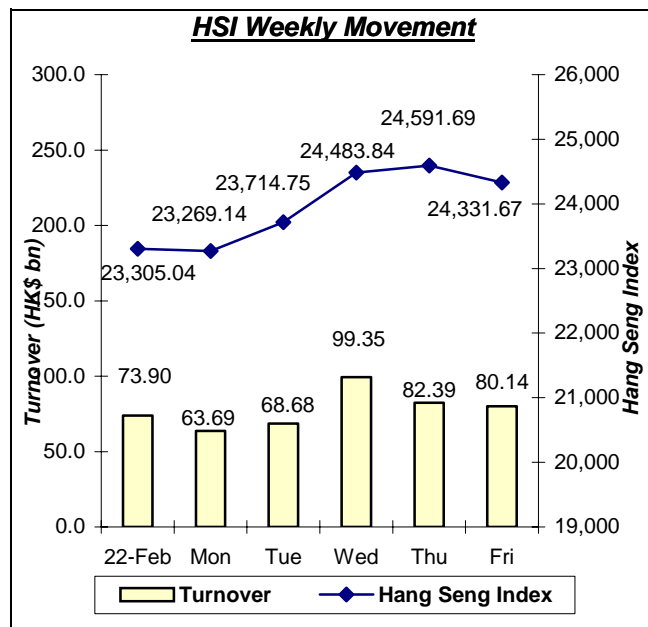


Tax cuts boost the Hong Kong market



Weekly Market Statistics				
Week ended	29/2/2008	22/2/2008	Change	%
Hang Seng Index	24,332	23,305	+1,027	+4.4%
HS Red Chip Index	5,484	5,318	+167	+3.1%
HS China Enterprises Index	13,932	13,337	+595	+4.5%
HS Composite Index	3,466	3,331	+135	+4.1%
HS HK Composite Index	2,571	2,469	+102	+4.1%
HS Mainland Composite Inc	4,583	4,405	+178	+4.0%
Growth Enterprise Index	1,061	1,043	+18	+1.7%
Avg Daily Turnover (HK\$ bn)	78.5	79.2	-1	-0.9%
Sectoral Indices				
Finance	34,344	32,447	+1,897	+5.8%
Utilities	42,907	42,226	+682	+1.6%
Properties	31,692	30,179	+1,513	+5.0%
Comm & Ind	14,522	14,068	+454	+3.2%

Review & Outlook of Market Performance

The local bourse made a weak start this week as Mainland stocks plunged 4% on Monday, dragging Hong Kong shares down, amid speculation that more Chinese companies are planning to raise funds through new placements. But investors were cheered by a straight 3-day Wall Street advance and optimism about the economy after Financial Secretary John Tsang Chun-wah handed out billions of dollars in tax cuts and other relief measures in his first budget speech, lifting the benchmark index for 1,323 points in the following 3 trading sessions. The HSI eventually closed the week at 24,331.67, up 4.4% or 1,026.63 points w-o-w. Trading volume was choppy, registering a meagre HK\$63.7 billion on Monday, its lowest level since 31st Dec 2006 compared to Wednesday's HK\$99.35 billion, the highest level in more than three weeks.

Property companies rallied after the annual budget said it would increase land supply and waive all property rates in 08/09, and cut 75% of property tax for 07/08. In addition, the news on the bridges connecting Hong Kong, Guangdong and Macau also posted positive sentiment. The financing scheme involved in this project has been endorsed and the massive project will soon proceed to public tenders. Hopewell Highway (0737), a potential bidder, jumped 5.0% w-o-w. Sources said HK-listed China Communication Construction (1800), China Railway (0390) and the new IPO candidate China Railway Construction (1186) might also play a major role in building the bridges.

Standard Chartered (2888) posted better than expected results for FY2007, propelling global lender HSBC (0005) and mainland financial stocks. Standard Chartered and HSBC jumped 11.0% and 5.1% w-o-w, as the former positive results led investors to believe the fallout from the subprime crisis is still under control. In contrast, CLP (0002) delivering an unappealing FY2007 result rose only 1.65% w-o-w, lagging the HSI.

Next week, investors would keep a close eye on certain results announcements like HSBC, Hang Seng Bank (0011), Wing Lung Bank (0096), Chong Hing Bank (1111) and HKEx (0388) so as to have a comprehensive picture for the health of Hong Kong financial sector. In addition, investors seem coming back to the IPO market as demands for staging finance for the IPO of China Railway Construction has been mounting and it is expected that substantial liquidity would be locked up for the issue.

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US & Regional Markets Weekly Update

Remarks: (*) closing as of 28th February 2008

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
29th February	12,582.18*	2,331.57*	13,603.02	3,026.45	1,357.40	845.76	8,412.76
22nd February	12,381.02	2,303.35	13,500.46	3,048.64	1,369.48	826.86	8,108.71
Change	+201.16	+28.22	+102.56	-22.19	-12.08	+18.90	+304.05
%	+1.6%	+1.2%	+0.8%	-0.7%	-0.9%	+2.3%	+3.7%

Major Changes in Index Constituent Stocks (Week ended 29th February 2008)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @29/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	0005	HK\$120.7	+HK\$6.10	+5.32%	Standard Chartered's results showed smaller than expected damage from the credit market turmoil, propelling the share prices of HSBC.
New World Development	0017	HK\$21.45	+HK\$2.35	+12.30%	Financial Secretary disclosed in the annual budget that Hong Kong's record budget surplus would be allotted to providing tax breaks on property investments, boosting the property share prices.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Steel	0347	HK\$21.00	+HK\$2.12	+11.23%	Baosteel, China's largest steel maker, announced a very strong price hike for 2Q08, 10% ahead of expectations.
Maanshan Iron	0323	HK\$4.98	+HK\$0.31	+6.64%	Investors believe the news could help recover the overly bearish sentiment on steel stocks.
PICC P&C	2328	HK\$8.46	+HK\$0.87	+11.46%	Official from China Insurance Regulatory Commission estimated that the damage from the snowstorm in Jan 08 would be limited and is unlikely to seriously affect the earnings of Chinese insurers.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @29/2/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$4.02	-HK\$0.19	-4.51%	Citigroup downgraded the automobile sector to Sell and lowered the target price of Denway to \$3.35 or 17% downside of the current share prices.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing Home Sales - Feb 2008	4.89M	Existing home sales slipped 0.4% in Jan 08 for a 23.4% year-on-year decline, the worst on record. The median housing price fell 2.9% in the month to \$201,100 for a year-on-year decline of 4.6%.
Producer Price Index - Jan 2008 M/M change	+1.0%	Overall producer price inflation surged 1.0% in Jan 08, sharply above the consensus forecast for a 0.3%. The faster-than-expected pace of inflation likely limits how far the Fed can cut rates further.
Durable Goods Order - Jan 2008 M/M change	-5.3%	Durable goods orders dropped sharply in Jan 08, further pointing to a decline in the manufacturing sector and possibly the economy overall. Analysts believe that the report would help clear the way for another 50 basis point cut by the Fed at the next FOMC meeting on 18 th March 2008.

Forthcoming Important Announcements / Events

3 rd March 2008 (Monday)	HK	:	HSBC Holdings (0005) – Final results Hang Seng Bank (0011) – Final results Automated Systems Holdings Ltd (0771) – Final results
	US	:	ISM Mfg Index – Feb 2008 Construction Spending – Jan 2008 Motor Vehicle Sales – Feb 2008
4 th March 2008 (Tuesday)	HK	:	Hong Kong Aircraft Engineering (0044) – Final results Smartone Telecommunications (0315) – Interim results Orient Overseas (International) Ltd (0316) – Final results
	US	:	Staples, Inc – Q4 2007 results
5 th March 2008 (Wednesday)	HK	:	Wing Lung Bank Ltd (0096) – Final results Liu Chong Hing Investment Ltd (0194) – Final results Cathay Pacific Airways Ltd (0293) – Final results HK Exchanges and Clearing (0388) – Final results Beijing North Star Co Ltd (0588) – Final results
	US	:	Chong Hing Bank Ltd (1111) – Final results Productivity and Costs – 4Q 2008 Factory Orders – Jan 2008 ISM Non-Mfg Survey – Feb 2008 H&R Block, Inc – Q3 2008 results
6 th March 2008 (Thursday)	HK	:	HK Electric Holdings Ltd (0006) – Final results PCCW Ltd (0008) – Final results Sun Hung Kai Properties Ltd (0016) – Final results Swire Pacific Ltd (0019) – Final results
	US	:	Initial Jobless Claims - the week ended 1 st March 2008 Pending Home Sales – Jan 2008 National Semiconductor – Q3 2008 results Big Lots, Inc – Q4 2007 results
7 th March 2008 (Friday)	HK	:	Chinese Estates Holdings Ltd (0127) – Final results
	US	:	Employment Situation – Feb 2008 Consumer Credit – Jan 2008 Ciena Corporation – Q1 2008 results

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