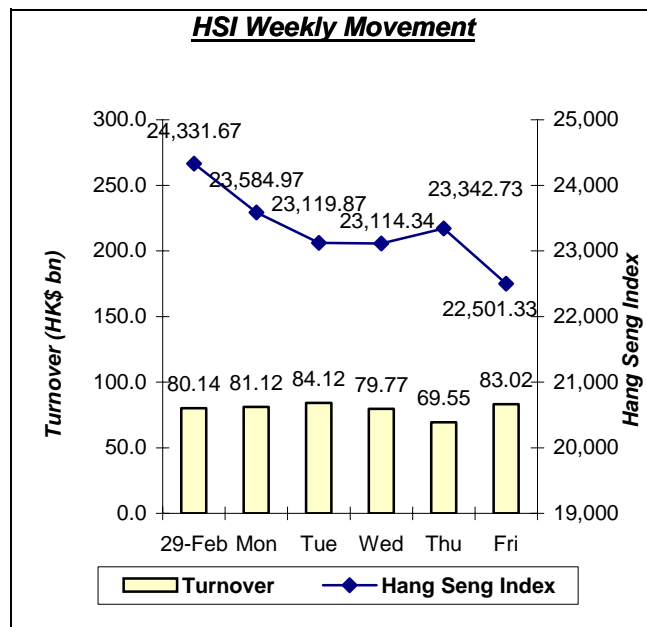


HSI tumbled on worries over more stringent austerity measures



Weekly Market Statistics				
Week ended	7/3/2008	29/2/2008	Change	%
Hang Seng Index	22,501	24,332	-1,830	-7.5%
HS Red Chip Index	5,024	5,484	-461	-8.4%
HS China Enterprises Index	12,607	13,932	-1,325	-9.5%
HS Composite Index	3,207	3,466	-260	-7.5%
HS HK Composite Index	2,420	2,571	-151	-5.9%
HS Mainland Composite Inc	4,193	4,583	-389	-8.5%
Growth Enterprise Index	982	1,061	-79	-7.5%
Avg Daily Turnover (HK\$ bn)	79.5	78.5	+1	+1.3%
Sectoral Indices				
Finance	32,230	34,344	-2,114	-6.2%
Utilities	40,506	42,907	-2,401	-5.6%
Properties	28,628	31,692	-3,064	-9.7%
Comm & Ind	13,290	14,522	-1,231	-8.5%

Review & Outlook of Market Performance

Hong Kong shares plunged and revisited a fresh one-month low, as corporate earnings failed to impress investors and worries over further monetary tightening in the Mainland lingered. Investor sentiment was also hard hit amid slumps in overseas market, as we saw little progress or relief in the US subprime woes. The HSI lost 1,830 points or 7.5% w-o-w to 22,501.33, while the HSCEI fell 9.5% to 12,606.83.

Over the week, several blue-chip companies announced their 2007 earnings results, with most beating consensus forecast. Nonetheless, the earnings reports failed to lift share performance, as investors are turning more cautious about the market outlook. For instance, HSBC Holdings reported a 21% rise in 2007 profit, but the banking giant was down by 2.7% w-o-w. Hong Kong Exchanges and Clearing also reported a robust 145% jump in net profit in FY2007, but it finished the week down by 9.7%. Meanwhile, the 1st Session of the 11th National People's Congress was commenced in Beijing. The event was closely watched, but the investment market may find little cheer from comments of major government officials. Premier Wen reiterated in his annual work report that the Chinese government would stick to its tightening policy in order to contain economic overheating and high inflation. The People's Bank of China Governor Zhou also said that there is still room for further rate-hike. Both comments suggest the Mainland's tightening stance may sustain for some time.

Companies like MTRC and ICBC (Asia) will deliver their earnings results next week. However, market focus would switch to the Mainland's CPI figures due on Tuesday. The February CPI is seen up by a sharp 8% y-o-y on food prices, after a 7.1% jump in January. But it is too early to say whether Beijing would introduce another round of austerity measures after the CPI figure, as the February CPI was somehow distorted by snowstorm. For the coming week, the HSI is expected to be event-driven, while support is should be seen near 22,000.

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US & Regional Markets Weekly Update

Remarks: (*) closing as of 6th March 2008

Date	US Dow Jones	US NASDAQ	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to							
7th March	12,040.39*	2,220.50*	12,782.80	2,866.28	1,296.33	821.57	8,531.38
29th February	12,266.39	2,271.48	13,603.02	3,026.45	1,357.40	845.76	8,412.76
Change	-226.00	-50.98	-820.22	-160.17	-61.07	-24.19	+118.62
%	-1.8%	-2.2%	-6.0%	-5.3%	-4.5%	-2.9%	+1.4%

Major Changes in Index Constituent Stocks (Week ended 7th March 2008)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @7/3/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific Airways	0293	HK\$15.50	-HK\$0.74	-7.41%	Cathay Pacific Airways reported a better-than-expected 72% y-o-y rise in net profit in 2007, thanks to contribution from Dragonair as well as robust demand for aviation transportation. However, analysts turned sceptical about its business outlook, as a possible recession in the US may slow down Cathay's business operations.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @7/3/08	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$10.08	-HK\$0.58	-5.44%	Metal plays failed to capitalize strong metal prices and tracked the general market lower. Gold prices surged to a high near US\$992 per ounce during the week, which led to some short-lived boost in share price of gold miners like Zijin.
Jiangxi Copper	0358	HK\$17.16	-HK\$1.52	-8.14%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @7/3/08	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$12.20	-HK\$1.22	-9.09%	CNOOC slumped despite record-high crude oil prices. NY light crude oil futures touched a lifetime high at US\$105.97 per barrel on Thursday.

Summary of US Economic News

Indicator	Change/Index	Comments
ISM manufacturing index – Feb 2008	48.7	ISM manufacturing index fell to 48.7 in Feb from 50.7 in Jan, which marked the lowest reading in 5 years and pointed to a contraction in the sector.
Construction Spending – Jan 2008	-1.7%	Construction spending in the US posted its biggest drop in 14 years, down 1.7% in Jan, much worse than an expected fall of 0.8%.
Productivity and Costs – 4Q 2007	+1.9%	Productivity grew 1.9% in the fourth quarter last year, up from the initial reading of 1.8%.
ISM non-manufacturing index – Feb 2008	49.3	ISM non-manufacturing index stood at 49.3 in Feb, better than expectation of 47.5. However, a reading below 50 means the sector is still contracting.
Initial Jobless Claims - the week ended 1 st March 2008	-24,000	Initial jobless claims fell 24,000 to 351,000, better than consensus forecast of a drop to 360,000. The four-week average also fell 1,500 to 359,500.

Forthcoming Important Announcements / Events

10 th March 2008 (Monday)	HK	:	VMEP Holdings (0422) – final results Zhejiang Expressway (0576) – final results I-Cable Communications (1097) – final results Zhaojin Mining (1818) – final results Champion REIT (2778) – final results
	US	:	Trade balance – January 2008
11 th March 2008 (Tuesday)	HK	:	Harbour Centre (0051) – final results MTRC (0066) – final results Fubon (0636) – final results CITIC 1616 (1883) – final results Great Wall Motor (2333) – final results
	US	:	No important announcement/event
12 th March 2008 (Wednesday)	HK	:	China Everbright (0257) – final results Sinotrans Shipping (0368) – final results Prosperity REIT (0808) – final results NW Mobile (0862) – interim results DCH Holdings (1828) – final results ANTA Sports (2020) – final results
	US	:	No important announcement/event
13 th March 2008 (Thursday)	HK	:	Hysan Development (0014) – final results ICBC (Asia) (0349) – final results NW Department Store China (0825) – interim results Integrated Distribution Services (2387) – final results Guangzhou R&F Properties (2777) – final results China Railway Construction (1186) – trading debut
	US	:	Initial jobless claims – the week ended 8 th March 2008 Retail sales – February 2008
14 th March 2008 (Friday)	HK	:	China Motor Bus (0026) – interim results HK Ferry (0050) – final results Shenzhen Expressway (0548) – final results
	US	:	Consumer price index – February 2008 Consumer sentiment (preliminary) – March 2008

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