

Sun Hung Kai Financial cautiously optimistic despite fears of a U.S. recession

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“Hong Kong and PRC Equities Market Outlook for 2008”

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Highlights:

- HSI and HSCEI fair values forecast at 25,500 and 14,500 respectively
 - HSI and HSCEI earnings growth to drop to 13% and 20%
 - China GDP growth to slow from 11.4% to 10%
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Hong Kong, 29 January 2008 – Sun Hung Kai Financial (“SHKF”), Hong Kong’s leading non-bank financial institution, has given a cautiously optimistic assessment of the growth potential of the Hong Kong and PRC equities markets, despite deepening concerns about the flow-on effects of a potential U.S. recession. With global markets experiencing severe volatility in the first four weeks of 2008 trading, the Hang Seng Index closing price at 24 January 2008 was 23,539, down approximately 15.4% from its 1 January close of 27,812. The Hang Seng China Enterprises Index, meanwhile, suffered a larger fall, closing almost 20% down from its 1 January close of 16,124 to settle at 12,933.

Sun Hung Kai Financial Executive Director and Chief Executive Officer of Wealth Management, Capital Markets and Brokerage, Mr. Joseph Tong Tang, said: “Overall, we are not particularly pessimistic on the U.S. economy when looking ahead of the curve. The recent Federal Reserve rate cuts and sovereign fund injections should help rebuild liquidity and revitalize the U.S. financial markets. Even though the U.S. is heading for worse times, we believe that this downturn will be neither as severe nor prolonged as widely expected.”

Hong Kong and PRC Equities Market Outlook

After the HSI reached an historic high of 31,958 on 30 October, 2007, investors witnessed a significant market correction, with market volatility increasing on the back of widening fears of a U.S. recession. The HSI and the HSCEI displayed robust YOY earnings growth of approximately 20% and 40% respectively for 2007, and Sun Hung Kai Financial analysts expect that growth to continue, although suggested it would moderate to 13% and 20% respectively. Contributing factors

to this slow-down include a deceleration in global growth, rising domestic costs, the continued introduction of austerity measures and the falling incremental earnings potential of asset injections. Sun Hung Kai Financial estimates the fair values of the HSI and HSCEI indices at 25,500 and 14,500 respectively over 2008.

As China's largest export customer, the U.S., flirts with recession, the risks to China's growth story have risen. While the mainland's 2007 momentum will sustain current growth levels, particularly in 1H 2008, China will not escape the consequences of a U.S. recession, with China's GDP growth rate expected to slow from 11.4% to 10%.

Sun Hung Kai Financial Head of Research, Mr. Alvin Chong, said: "In Chinese, the word 'crisis' is comprised of two characters – 'Danger' and 'Opportunity'. This describes 2008, a year which we believe will be full of challenges and opportunities. We forecast that the equity market will be volatile and directionless for most of 2008." Mr. Chong added that China's export-driven economy would be affected by a U.S. recession, but he noted that China's momentum would lessen the impact over the first six months of 2008. Stock selection is the key to investing in 2008.

Investment strategies

Mr. Castor Pang, Sun Hung Kai Financial Strategist and leading H.K. stock analyst, recommends focusing on selective stock picks instead of riding market momentum. Mr. Pang has outlined a long-term investment portfolio of 35 stocks, which aims to generate stable returns in a volatile market. It comprises stocks that meet some or all of the following criteria: are market leaders with the ability to raise selling prices under an inflationary environment, have strong growth with high earnings visibility, attractive valuations, high free-cash-flow yield and high dividend yield.

He also highlighted five key sectors for investors to focus on in the short term: local property; China property; retail; resources; and infrastructure. "Increasing PRC demand for oil and coal will boost sector profits over the next 12 months, while consumer and retail spending and infrastructure are all expected to post solid gains. In the property sector, asset values continue to rise, with inflationary pressures causing an upswing in momentum," said Pang.

Alternative Investments and Commodities

Domestic consumption, financial restructuring and high levels of liquidity oiled China's engine over 2007, with the PRC's increasingly robust market spurring regional growth. According to Mr. Jeff Kong, Sun Hung Kai Financial Vice President, Sales and Business Development, Wealth Management: "'Emerging Asia' will continue to form the backbone of global growth, with Asia's GDP expected to hit 7.6% in 2008. We estimate an infrastructure spend of more than USD1 trillion over the next 5 years, and the outlook for precious metals also remains positive in view of the weak U.S. dollar, and comparative strength in China, India and the Middle East."

About Sun Hung Kai & Co. Limited and Sun Hung Kai Financial

With its foundation dating back to 1969, Sun Hung Kai & Co. Limited, which operates under the name Sun Hung Kai Financial, is the leading non-bank financial institution in Hong Kong. The Group currently has over HK\$60 billion in assets under management, custody and/or advice, and over HK\$11 billion of attributable equity. Its core areas of focus include wealth management and brokerage, asset management, corporate finance, consumer finance as well as principal investments. Listed on the HKEx (stock code: 00086), the Group is currently capitalised at over HK\$16 billion. It employs over 1,300 dedicated professionals and has an extensive branch and office network in over 50 locations in Hong Kong, Macau, China and Singapore.

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