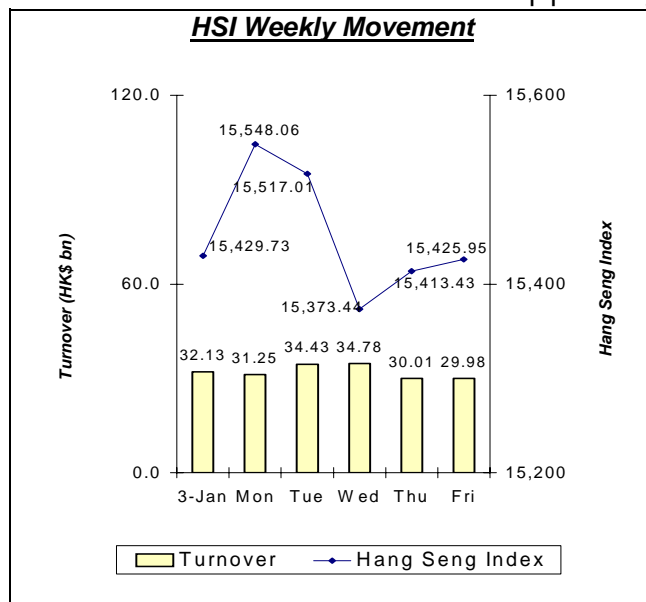


Market capped by rate hike worries



Weekly Market Statistics				
Week ended	10/02/2006	03/02/2006	Change	%
Hang Seng Index	15,425.95	15,429.73	-3.78	-0.0%
HS Red Chip Index	2,066.61	2,058.47	+8.14	+0.4%
HS China Enterprises Index	6,318.52	6,202.28	+116.24	+1.9%
HS Composite Index	2,065.85	2,061.93	+3.92	+0.2%
HS HK Composite Index	2,047.55	2,051.09	-3.54	-0.2%
HS Mainland Composite Index	2,113.80	2,095.18	+18.62	+0.9%
S&P/HKEx GEM Index	1,198.24	1,185.20	+13.04	+1.1%
Avg Daily Turnover (HK\$ bn)	32.09	33.13	-1.04	-3.1%
Sectoral Indices				
Finance	27,348.05	27,293.22	+54.83	+0.2%
Utilities	31,467.39	31,192.48	+274.91	+0.9%
Properties	18,626.07	18,884.74	-258.67	-1.4%
Comm & Ind	7,509.60	7,509.24	+0.36	+0.0%

Review & Outlook of Market Performance

Hong Kong market closed virtually unchanged this week at 15,425.95, capped by renewed rate hike worries. Average daily turnover was HK\$33.13 billion when compared with last week's HK\$32.09 billion. During the week, a member of the US Federal Reserve commented that further US interest rate hikes might be needed to tame inflation. Interest rate sensitive property counters were sold off with the HS properties sub-index fell 1.4% w-o-w that offset gains in banks and utilities. Despite weakness of the property sector, Link REIT (0823) jumped 11.8% w-o-w to close at a fresh high of HK\$16.55 after a research report from European investment bank UBS initiated coverage of the counter with a "buy" rating and a 12-month price target of HK\$20.28, citing that selling smaller assets in the portfolio was a way to add value and stimulate the unit price.

Automakers led the market this week after Geely (0175) announced that its January sales had hit a record and said it intends to sell 28% more cars than last year. Investors snapped up shares of Geely (0175), Denway (0203), Dong Feng Group (0489) and Brilliance China (1114). Share prices of these counters all recorded w-o-w gains of more than 10%.

Yesterday, BEA (0023) announced a 17% y-o-y rise in FY2005 attributable profit to HK\$2.75 billion. The results beat market forecast of HK\$2.5 billion and shares of BEA closed up 3.78% w-o-w at HK\$24.70.

Looking ahead, US economic data release next week will be closely monitored as interest rate factor will continue to dominate market sentiment. The HSI Service Company has just announced that China Netcom (0906) will be included as a constituent of HSI whilst China Construction Bank (0939) and Dong Feng Group (0489) will be included as constituents of HSCEI effective 3rd March 2006. Their share prices should be boosted by institutional buying next week. On the contrary, there may be selling pressures on shares that will be kicked out from HSI (Denway Motor) and HSCEI (China Eastern Airlines, Shenzhen Expressway, TravelSky Tech, Zhenhai Refinery and Yizheng Chemical). We see the market to continue range traded between 15,200 and 15,600 before the reporting season goes full steam. Any downside risk should come from the continual spotting of bird flu cases in town.

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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							
10th February	10,919.05	2,261.88	16,257.83	2,423.59	920.31	738.07	6,594.92
3rd February	10,907.21	2,304.23	16,460.68	2,412.08	914.01	761.27	6,532.18
Change	+11.84	-42.35	-202.85	+11.51	+6.30	-23.20	+62.74
%	+0.1%	-1.8%	-1.2%	+0.5%	+0.7%	-3.0%	+1.0%

Major Changes in Index Constituent Stocks (Week ended 10th February 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @10/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$3.375	+HK\$0.425	+14.4%	Automakers reported strong sales growth in January 2006.
China Merchants	0144	HK\$20.60	+HK\$1.20	+6.2%	Investors are optimistic about the expansion of China Merchant Group's ports business.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinotrans	0598	HK\$3.625	+HK\$0.325	+9.9%	The holding company of the counter is being acquired by the parent company of China Merchants (0144).
Yizheng Chemical	1033	HK\$1.99	+HK\$0.11	+5.9%	Rumour has it that its parent, Sinopec (0386), is planning to privatize the counter.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @10/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (Hong Kong)	0135	HK\$2.60	+HK\$0.325	+14.3%	Rumour has it that its parent, PetroChina (0857), is planning to privatize the counter.
Brilliance China	1114	HK\$1.51	+HK\$0.22	+17.1%	Automakers reported strong sales growth in January.

Summary of US Economic News

Indicator	Change/Index	Comments
December Consumer Credit	+US\$3.3 bn	The increase was lower than consensus forecast (US\$4.2 bn) but higher than that of the previous month (US\$568 mn).
Initial Jobless Claims – Week ended 5 th February	+4k	The increase was less than market forecast (+12k). The four-week moving average was 276,500, a decrease of 7,750 from the previous week's unrevised average of 284,250.
December Wholesale Inventories	+1.0%	The increase was larger than market consensus (+0.5%) and that of the previous month (+0.5%).
December Trade Gap	-US\$65.7 bn	The trade deficit was higher than the market forecast (-US\$64.7 bn) and that of the previous month (-US\$64.7 bn).

Forthcoming Important Announcements / Events

13 th February 2006 (Monday)	HK US	: : :	Nam Tai EEP Limited (2633) – Final results Agilent Technologies Inc. (A) – Q1 results Nam Tai Electronics, Inc (NTE) – Q4 results
14 th February 2006 (Tuesday)	HK US	: :	IDT International Limited (0167) – Q3 results January Retail Sales December Business Inventories Abercrombie & Fitch (ANF) – Q4 results Deere & Company (DE) – Q1 results Las Vegas Sands Corp. (LVS) – Q4 results UBS (UBS) – Q4 results
15 th February 2006 (Wednesday)	HK US	: :	Fu Ji Food & Catering Services (1175) – Q3 results January Industrial Production January Capacity Utilization Applied Materials (AMAT) – Q1 results Credit Suisse Group (CSR) – Q4 results Hewlett-Packard (HPQ) – Q1 results
16 th February 2006 (Thursday)	HK US	: :	EganaGoldpfeil (holdings) Limited (0048) – Interim results Pico Far East Holdings Limited (0752) – Final results Initial Jobless Claims – Week ended 12 th February January Housing Starts DaimlerChrysler (DCX) – Q4 results Dell, Inc. (DELL) – Q4 results ING Group NV (ING) – Q4 results JC Penny (JCP) – Q4 results NVIDIA Corporation (NVDA) – Q4 results XM Satellite Radio (XMSR) – Q4 results
17 th February 2006 (Friday)	HK US	: :	January Unemployment Rate January Producer Price Index Mid-February U of Michigan Consumer Sentiment Index Sirius Satellite Radio (SIRI) – Q4 results

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