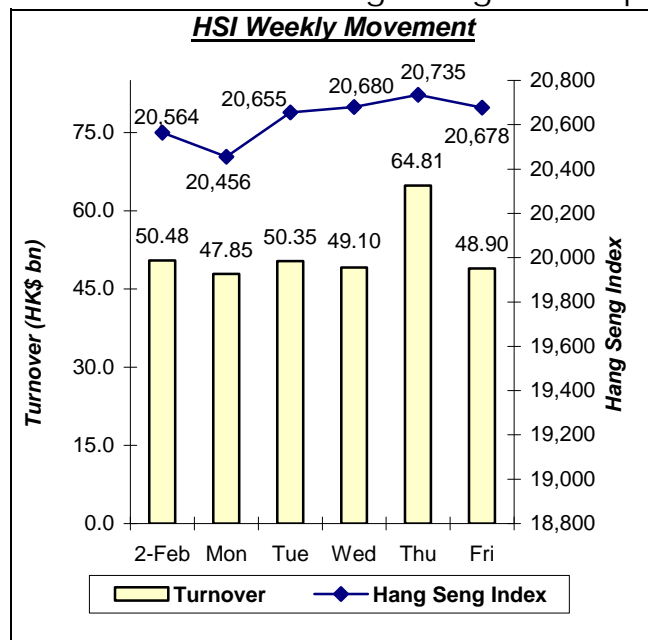


The HSI edged higher despite HSBC's provision warning



Weekly Market Statistics				
Week ended	09/02/07	02/02/07	Change	%
Hang Seng Index	20,677.66	20,563.68	+113.98	+0.6%
HS Red Chip Index	3,522.88	3,440.86	+82.02	+2.4%
HS China Enterprises Index	9,915.36	9,598.21	+317.15	+3.3%
HS Composite Index	2,875.14	2,832.74	+42.40	+1.5%
HS HK Composite Index	2,541.59	2,547.98	-6.39	-0.3%
HS Mainland Composite Index	3,339.69	3,234.54	+105.15	+3.3%
Growth Enterprise Index	1,330.10	1,287.39	+42.71	+3.3%
Avg Daily Turnover (HK\$ bn)	52.20	45.28	+6.92	+15.3%
Sectoral Indices				
Finance	32,168.74	32,376.47	-207.73	-0.6%
Utilities	36,126.40	36,498.16	-371.76	-1.0%
Properties	25,310.74	25,548.46	-237.72	-0.9%
Comm & Ind	11,232.80	11,029.41	+203.39	+1.8%

Review & Outlook of Market Performance

The HSI climbed higher after starting the week in a weaker tone on profit-taking following a strong run in the latter part of last week. However, upside for the blue-chip index was capped after heavyweight HSBC (HK\$140.20, -2.4% w-o-w) announced that provision charges for 2006 is likely to be above the market consensus of US\$8.8 billion by 20% after taking into the consideration of the accelerated delinquency trends across the US sub-prime mortgage market. The bad news was offset by the cheerful financial results posted by three blue-chip companies, while strong performance of China Mobile (HK\$76.40, +3.66%) helped support the index. The HSI finished the week up 113.98 points or 0.6% at 20,677.66. Average daily turnover rose to HK\$52.2 billion from HK\$45.3 billion a week earlier.

Esprit (HK\$90.85, +12.16%) reported a 28.1% y-o-y increase in net interim profit to HK\$2.4 billion on strong same-store sales growth and sustainable operating margin. Hang Lung Properties (HK\$22.50, -4.86%) posted a 41.5% y-o-y rise in net profit to HK\$2.3 billion for the half-year period. However, excluding a revaluation gain in investment properties, underlying profit was down 2.2% on a slash in property sales. BEA (HK\$47.95, +5.04%) kicked off the Hong Kong banking sector's FY2006 results reporting season and announced a 24.9% jump in net profit to HK\$3.4 billion for FY2006 on the back of strong growth in both net interest income and fee income as well as stellar performance of its mainland operations. Meanwhile, mainly buoyed by rebounds of financial counters, the HSCEI index jumped 3.3% over the week to close at 9,915.36.

After market close on Friday, the HSI Services Ltd., as widely expected, announced the admission of China Life Insurance (HK\$23.90, +6.22%) and ICBC (HK\$4.68, +3.54%) as the HSI constituent stocks effective 12th March 2007 – bringing the total benchmark stock to 38. HSI Services Ltd. said that it would gradually increase the no. of firms in the gauge to a maximum of 50 over time.

Looking forward, trading should be more cautious next week ahead of the long Lunar New Year holidays while market volatility should be higher as the results season begins. The HSI is expected to see good support at 20,400.

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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							
9th February	12,637.63*	2,488.67*	17,504.33	3,220.89	1,240.87	695.27	7,859.53
2nd February	12,653.49	2,475.88	17,547.11	3,217.68	1,209.48	670.60	7,777.03
Change	-15.86	+12.79	-42.78	+3.21	+31.39	+24.67	+82.50
%	-0.1%	+0.5%	-0.2%	+0.1%	+2.6%	+3.7%	+1.1%

Remark (*): closing as of 8th February 2007

Major Changes in Index Constituent Stocks (Week ended 9th February 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @09/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$90.85	+HK\$9.85	+12.16%	The global fashion wholesaler and retailer reported a 28% y-o-y increase in interim net profit to HK\$2.4 billion.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @09/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CCB	0939	HK\$4.89	+HK\$0.29	+6.30%	Mainland financial stocks fared well this week after their recent weaknesses.
Ping An	2318	HK\$38.20	+HK\$1.60	+4.37%	
PICC	2328	HK\$4.72	+HK\$0.23	+5.12%	
China Life	2628	HK\$23.90	+HK\$1.40	+6.22%	
China COSCO	1919	HK\$6.44	+HK\$0.63	+10.84%	The container shipping firms surged after Credit Suisse upgraded shipping stocks across Asia to "overweight" on expectation of a freight-rate up-cycle in 2008.
CSC	2866	HK\$2.94	+HK\$0.51	+20.99%	
Chalco	2600	HK\$8.14	+HK\$0.61	+8.10%	The firm continued to ride on a 50% raise in its alumina spot price announced last Thursday

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @09/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
COFCO International	0506	HK\$9.10	+HK\$1.11	+13.89%	The spin-off and potential listing of its commodity-processing unit China Agri Holdings on the main board propelled the stock.
Brilliance China	1114	HK\$1.83	+HK\$0.21	+12.96%	The automaker surged this week after it posted record-high car sales in January.
Lenovo Group	0992	HK\$3.14	-HK\$0.24	-7.10%	IBM had sold 300 million Lenovo shares, or about 3.52% of its existing share capital, at HK\$3.20 each during the week.

Summary of US Economic News

Indicator	Change/Index	Comments
ISM non-manufacturing index – January 2007	59.0	The growth pace in the service sector increased to its strongest in 8 months in January on steady demand and lower costs.
Productivity – Q4 2006	+3.0% y-o-y	Business productivity rose at a much stronger-than-expected 3% annual pace in the fourth quarter, compared with a revised 0.1% 3Q decline.
Consumer credit – December 2006	+US\$6 billion	With credit-card debt growing at the slowest pace in 9 months, consumer credit increased by US\$6 billion, or 3% annualized, in December, less than half the growth of November.
Wholesale inventories – December 2006	-0.5%	Inventories at wholesalers fell an unexpected 0.5% in December as auto and petroleum stocks declined. December's decline was the biggest monthly decrease since May 2003, when wholesale inventories were off 0.6%.
Initial jobless claims – the week ended 3 rd February 2007	+3,000	311,000 workers filed new claims for unemployment insurance benefits last week, up from a revised 308,000 a week earlier.

Forthcoming Important Announcements / Events

12 th February 2007 (Monday)	HK US	: : : :	Sunevision Holdings (8008) – FY2006/07 interim results CNA Financial Corp – Q4 2006 results Loews Corp – Q4 2006 results Yum! Brands Inc – Q4 2006 results
13 th February 2007 (Tuesday)	HK US	: : : : : : : : : : : :	Manulife (0945) – FY2006 final results Nine Dragons Paper (2689) – FY2006/07 interim results Trade balance – December 2006 Coca-Cola Enterprises Inc – Q4 2006 results Deere & Co – Q1 2006/07 results Kimco Realty Corp – Q4 2006 results Marsh & McLennan Cos Inc – Q4 2006 results Metlife Inc – Q4 2006 results Nvidia Corp – Q4 2006/07 results Omnicom Group Inc – Q4 2006 results
14 th February 2007 (Wednesday)	HK US	: : : : : : : :	Clear Media (0100) – FY2006 final results Retail sales – January 2007 Business inventories – December 2006 Coca-Cola Co – Q4 2006 results Garmin Ltd – Q4 2006 results Masco Corp – Q4 2006 results MGM Mirage – Q4 2006 results Transocean Inc – Q4 2006 results
15 th February 2007 (Thursday)	HK US	: : : : : : : : : : :	Unemployment statistics – November 2006-January 2007 Initial jobless claims – the week ended 10 th February 2007 Industrial production – January 2007 Agilent Technologies Inc – Q1 2006/07 results Ameren Corp – Q4 2006 results Baker Hughes Inc – Q4 2006 results General Motors Corp – Q4 2006 results
16 th February 2007 (Friday)	HK US	: : : : : : : : : : :	No important announcements / events Housing starts – January 2007 Producer price index – January 2007 Campbell Soup Co – Q2 2006/07 results Target Corp – Q4 2006/07 results

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