

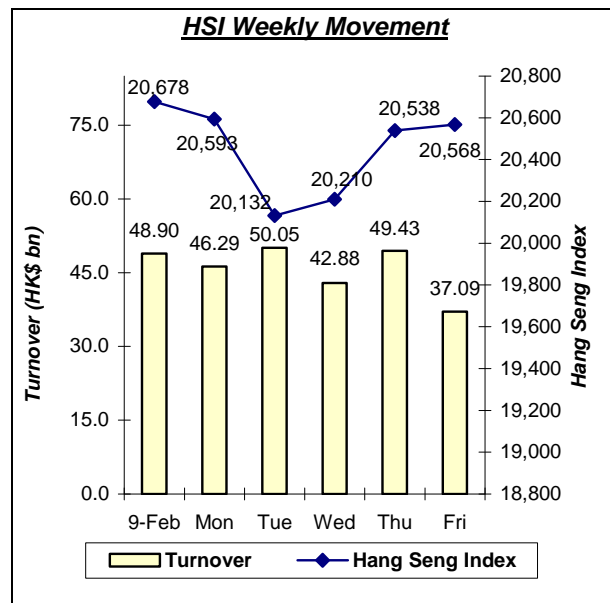
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Weekly Report16th February 2007**A roller-coaster week before the Chinese New Year**

Weekly Market Statistics				
Week ended	16/02/07	09/02/07	Change	%
Hang Seng Index	20,567.91	20,677.66	-109.75	-0.5%
HS Red Chip Index	3,509.64	3,522.88	-13.24	-0.4%
HS China Enterprises Index	9,957.76	9,915.36	+42.40	+0.4%
HS Composite Index	2,872.76	2,875.14	-2.38	-0.1%
HS HK Composite Index	2,533.83	2,541.59	-7.76	-0.3%
HS Mainland Composite Index	3,344.14	3,339.69	+4.45	+0.1%
Growth Enterprise Index	1,327.34	1,330.10	-2.76	-0.2%
Avg Daily Turnover (HK\$ bn)	45.15	52.20	-7.05	-13.5%
Sectoral Indices				
Finance	32,092.11	32,168.74	-76.63	-0.2%
Utilities	36,574.78	36,126.40	+448.38	+1.2%
Properties	24,898.16	25,310.74	-412.58	-1.6%
Comm & Ind	11,159.49	11,232.80	-73.31	-0.7%

Review & Outlook of Market Performance

Hang Seng Index started off the week with a 461-point correction on Tuesday amid concerns that the Chinese central bank could raise interest rates after the Chinese New Year Holiday. Investors started taking profit on the signs of liquidity outflow from the HK market. The abundance of negative news flowing through the market served as excuses for unloading shares. However on Wednesday, after Bernanke's comment that there were indications that inflation pressures is diminishing and hence drawing hopes that there will be a rate cut this year, the US market responded positively and spilled over to the local market. The lower than expected inflation rate and money supply data released by China on Wednesday have eased pressure for an interest rate hike. The pre-holiday run-up in the A share market spilled over to the Hong Kong markets and mitigated the loss earlier in the week. The HSI finished the week down 109.75 points or 0.5% at 20,567.91. Average daily turnover decreased to HK\$45.15 billion from HK\$52.2 billion a week earlier.

Li & Fung (HK\$27.85, +2.77%) entered into an agreement with Tommy Hilfiger to acquire the designer's global sourcing operations for HK\$ 1.9 billion. The acquisition of sourcing operations is viewed positive and earnings accretive. China Netcom (HK\$20.5, +4.27%) made a comment that it would not be the inheritor of TD-SCDMA but is instead interested in China Unicom's (0762) existing GSM network. Hutchison Telecommunications International (HK\$16.74, -12.81%) agreed to sell its 67% stake in Hutchison Essar to the Vodafone Group and will book a pre-tax gain of HK\$75 billion from the sale. The stock price correction might be reflecting concerns about possible delays in the sale and the use of cash proceeds.

Meanwhile, Mainland auto manufacturers had a stellar performance as Merrill Lynch rated "Buy" on Brilliance China, Dongfeng, and Geely (later downgraded Geely to "Neutral" after its placement to raise up to HK\$648 million) on improving sales figures. The HSCEI index rose 0.43% over the week to close at 9,957.76.

After the China market closed on Friday, the Central Bank raised bank reserve requirements by a further 0.5% to 10%. Looking ahead the short trading week, Mainland and Taiwan markets will be closed and reopen on February 26. Market sentiment should remain healthy. We see the HSI to have good support at 20,300-20,400 before the reporting season goes full steam the week after next.

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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 16th February	12,765.01*	2,497.10*	17,875.65	3,236.93	1,262.09	688.01	7,809.45
9th February	12,580.83	2,459.82	17,504.33	3,220.89	1,240.87	695.27	7,859.53
Change	+184.18	+37.28	+371.32	+16.04	+21.22	-7.26	-50.08
%	+1.5%	+1.5%	+2.1%	+0.5%	+1.7%	-1.0%	-0.6%

Remark (*): closing as of 15th February 2007

Remark (^): closing as of 14th February 2007

Major Changes in Index Constituent Stocks (Week ended 16th February 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @16/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Hang Seng Bank	0011	HK\$112.9	+HK\$3.80	+3.48%	The bank was upgraded by Goldman Sachs from "sell" to "buy" and the raising of the target price to HK\$122.
COSCO Pacific	1199	HK\$22.75	+HK\$2.75	+13.75%	The counter was upgraded to "Overweight" by Morgan Stanley last week on improving fundamentals.
China Netcom	0906	HK\$20.50	+HK\$0.84	+4.27%	Netcom has indicated it will not develop the home-grown TD-SCDMA 3G standard, but is instead interested in mobile operator China Unicom's (0762) existing GSM network.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
ZTE	0763	HK\$38.45	+HK\$2.65	+7.40%	UBS upgraded from "Neutral" to "Buy" citing local media reports it could secure a third of the RMB19 billion in contracts to be awarded before building a 3G network.
China COSCO	1919	HK\$7.31	+HK\$0.87	+13.51%	The counter continued its 50%+ gain since mid December on pending A-share IPO and improved container shipping outlook.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @16/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Citic Resources	1205	HK\$3.08	+HK\$0.49	+18.92%	The company sold shares to raise HK\$1.72 billion to acquire a stake in a Kazakhstan oil field from its parent.
Brilliance China	1114	HK\$2.23	+HK\$0.40	+21.86%	Merrill Lynch raised earnings forecasts and the target price for the counter after record-high car sales in January.
COFCO	0506	HK\$6.61	-HK\$2.49	-27.36%	COFCO declared a special interim dividend in specie. For each COFCO share in hand, investors will receive 1 share in China Agri Holdings. All the shareholders on the register on 16 Feb 2007 will be entitled to this special dividend. Share price fell because COFCO no longer capture the value of China Agri.



Summary of US Economic News

Indicator	Change/Index	Comments
Trade balance – December 2006	Deficit of US\$61.2 billion	For December, the trade deficit hit US\$61.2 billion, up from US\$58.1 billion in November. That was more than the forecast of a December trade deficit of US\$59.5 billion. The full-year trade deficit jumped 6.5% to a record US\$763.6 billion in 2006 as high oil prices and Americans' appetite for foreign-made goods outpaced strong exports.
Retail sales – January 2007	-	January retail sales were unexpectedly flat as motor vehicle, gasoline and electronics sales fell sharply in the post-holiday season after a December that was stronger than originally indicated. The market expected the January retail sales to be up 0.3%.
Business inventories – December 2006	-	Business inventories were basically unchanged in December at US\$1.37 trillion, US\$147 million less than in November. It was the weakest showing for inventories since they fell by 0.4% in July 2005.
Initial jobless claims – the week ended 10 th February 2007	+44,000	New claims for unemployment insurance rose by 44,000 to a seasonally adjusted 357,000 in the week ended Feb 10 from a revised 313,000. This is higher than the 310,000 economists had expected.

Forthcoming Important Announcements / Events

19 th February 2007 (Monday)	HK US	: : :	Lunar New Year Holiday President Day Holiday
20 th February 2007 (Tuesday)	HK US	: : :	Lunar New Year Holiday Wal-mart Stores Inc – Q4 2006 results Hewlett-Packard – Q1 2007 results Home Depot Inc – Q4 2006 results
21 st February 2007 (Wednesday)	HK US	: : :	No important announcements / events Core CPI – January 2007 Leading Indicators – January 2007 Abercrombie & Fitch Co. – Q1 2007 results Medco Health Solutions Inc – Q4 2006 results
22 nd February 2007 (Thursday)	HK US	: : :	Star Cruises (0678) – FY2006 final results Consumer price index – January 2007 Initial jobless claims – the week ended 17 th February 2007 JC Penney Co Inc – Q4 2006 results Williams Co. Inc – Q4 2006 results
23 rd February 2007 (Friday)	HK US	: : :	Sunlight REIT (0435) – FY07 Interim results Top Form International (0333) – FY07 Interim results Lowe's Co. Inc – Q4 2006 results Safeway Inc. – Q4 2006 results

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