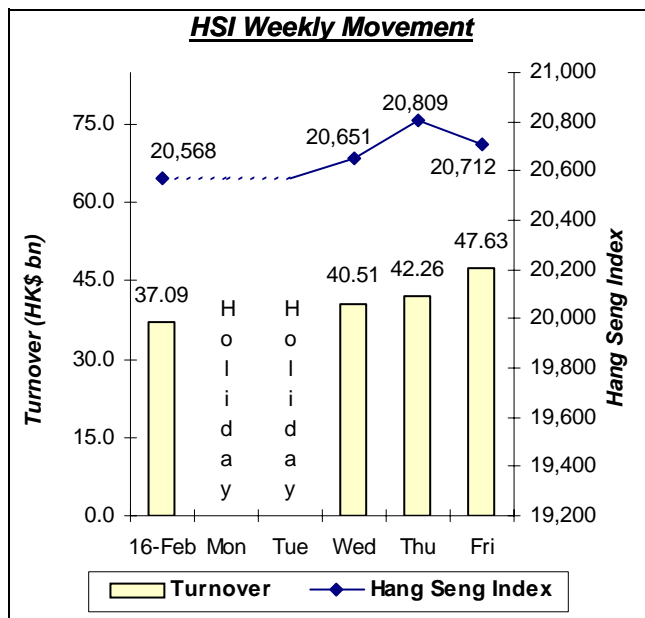


## A firm start for the local bourse in the Year of the Boar



<b>Weekly Market Statistics</b>				
Week ended	23/02/07	16/02/07	Change	%
Hang Seng Index	20,712	20,568	+144	+0.7%
HS Red Chip Index	3,612	3,510	+103	+2.9%
HS China Enterprises Index	9,956	9,958	-1	-0.0%
HS Composite Index	2,877	2,873	+4	+0.1%
HS HK Composite Index	2,521	2,534	-13	-0.5%
HS Mainland Composite Index	3,369	3,344	+25	+0.8%
Growth Enterprise Index	1,354	1,327	+27	+2.0%
Avg Daily Turnover (HK\$ bn)	43.5	45.1	-2	-3.7%
Sectoral Indices				
Finance	31,634	32,092	-458	-1.4%
Utilities	36,588	36,575	+13	+0.0%
Properties	25,109	24,898	+211	+0.8%
Comm & Ind	11,401	11,159	+241	+2.2%

## Review & Outlook of Market Performance

Following the Lunar New Year break, the local bourse returned to action on Wednesday in an upbeat tone. China Mobile was the key driver for the Hang Seng Index as the mainland's No.1 mobile operator released record monthly additions in its subscriber number in Jan 07. However, profit-taking set in on Friday and ended a 5-day gaining span for the benchmark index. The HSI closed at 20,711.65 on Friday, up 143.74 points or 0.7% w-o-w. Average daily turnover amounted to HK\$43.5 billion for the short 3-day trading week.

Performances of H shares were mixed during the week while the mainland bourses were still closed for Lunar New Year holidays. The PBOC announced before the holiday break, a 50-bps hike in the reserve ratio requirement for mainland banks to 10%. Undermined by the news, shares of China Construction Bank (HK\$4.74, -3.27%), Bank of China (HK\$3.85, -1.79%) and Bank of Communications (HK\$8.55, -1.04%) were all lower this week. In addition, valuation concerns continued to weigh on China Life Insurance, which lost 2.13% on week to close at HK\$22.95. Nevertheless, gains in steel-makers and coal miners, driven by better price outlook, helped support the H-share index. The HSCEI index ended the week flat at 9,956.30.

On Thursday, the HKSAR Government released last month's inflation data. The city's composite consumer price index was up 2.0% y-o-y in Jan 07, smaller than the 2.3% increase in Dec 06. The smaller increase last month reflected the higher base of comparison in Jan 2006 caused by the Lunar New Year Festival, while year-on-year declines in charges for package tours as well as inbound and outbound transport fares were recorded in Jan 07.

Looking forward into next week, market attention should be on the release of the US GDP figures for 4<sup>th</sup> quarter of 2006, giving the latest picture of the world's largest economy. Meanwhile, blue-chip company results reporting season will resume action, with CLP Holdings (HK\$59.00, +0.08%) announcing its FY2006 final results next Wed, 28<sup>th</sup> February. Ahead of the earnings announcement of HSBC (HK\$138.20, -1.36%) on 5<sup>th</sup> March, trading is expected to be volatile on the expiry Feb 07 index futures next Tuesday and the near term support for the HSI should still be 20,500.

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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 <sup>^</sup> Weighted Index
Week to							
23rd February	12,686.02*	2,524.94*	18,188.42	3,310.44	1,283.47	690.76	holiday
16th February	12,767.57	2,496.31	17,875.65	3,236.93	1,262.09	688.01	7,809.45 <sup>^</sup>
Change	-81.55	+28.63	+312.77	+73.51	+21.38	+2.75	n.a.
%	-0.6%	+1.1%	+1.7%	+2.3%	+1.7%	+0.4%	n.a.

Remark (\*): closing as of 22<sup>nd</sup> February 2007

Remark (^): closing as of 14<sup>th</sup> February 2007; Taiwan market to re-open on 26<sup>th</sup> February 2007

### Major Changes in Index Constituent Stocks (Week ended 23<sup>rd</sup> February 2007)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @23/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$79.25	+HK\$4.45	+5.95%	The firm added a record 4.86 million new subscribers in Jan 07, thanks to its push into rural areas and its newly-introduced free incoming-call packages

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$6.73	+HK\$0.26	+4.02%	The oil refiner was firmer on renewed speculation that China would soon reform the pricing mechanism for refined oil products.
Maanshan Iron & Steel	0323	HK\$5.34	+HK\$0.22	+4.30%	The steelmakers soared on upgrades by JPMorgan on positive steel price outlook.
Angang Steel	0347	HK\$13.44	+HK\$1.24	+10.16%	
Sinotrans	0598	HK\$3.38	+HK\$0.32	+10.46%	The freight forward surged on speculation of potential asset injections from its parent.
Shenhua Energy	1088	HK\$21.30	+HK\$1.05	+5.19%	Strengthening coal prices fuelled the Chinese coal miners.
Yanzhou Coal	1171	HK\$7.92	+HK\$0.54	+7.32%	
China COSCO	1919	HK\$7.68	+HK\$0.37	+5.06%	Pending A-share IPO and improving container-shipping outlook continued to propel the counter.

#### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @23/02/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Netcom	0906	HK\$19.64	-HK\$0.86	-4.20%	Mainland media reported that the fixed-line operator would not take charge of the home-grown Chinese 3G mobile standard.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Consumer price index – January 2007	+0.2% m-o-m	CPI rose 0.2% in Jan 07 after gaining 0.4% in Dec 06. Stripping out the volatile food and energy prices, core CPI rose 0.3% in Jan after a 0.1% increase in December.
Leading indicators – January 2007	+0.1% m-o-m	The Conference Board's index of leading economic indicator rose for the 2 <sup>nd</sup> straight month, but at a smaller-than-expected 0.1% in Jan 07.
Initial jobless claims – the week ended 17 <sup>th</sup> February 2007	-27,000	New claims for unemployment insurance fell a smaller-than-expected 27,000 to a seasonally-adjusted 332,000 last week. The claims figure for the week ended 10 <sup>th</sup> February was upwardly revised to 359,000.

**Forthcoming Important Announcements / Events**

26 <sup>th</sup> February 2007 (Monday)	HK US	:	<b>Parkson Retail Group (3368) – FY2006 final results</b> Nordstrom Inc – Q4 2006/07 results
27 <sup>th</sup> February 2007 (Tuesday)	HK  US	:	Trade balance – January 2007 <b>Lifestyle International (1212) – FY2006 final results</b> <b>Standard Chartered (2888) – FY2006 final results</b> <b>Durable goods orders – January 2007</b> <b>Consumer confidence – February 2007</b> <b>Existing home sales – January 2007</b> El Paso Corp – Q4 2006 results Federated Department Stores Inc – Q4 2006/07 results Harrah's Entertainment Inc – Q4 2006 results HJ Heinz Co – Q3 2006/07 results Target Corp – Q4 2006/07 results TXU Corp – Q4 2006 results
28 <sup>th</sup> February 2007 (Wednesday)	HK  US	:	<b>GDP – Q4 2006</b> <b>CLP Holdings (0002) – FY2006 final results</b> <b>Pacific Century Insurance (0065) – FY2006 final results</b> <b>Wing Lung Bank (0096) – FY2006 final results</b> GDP (Prel.) – Q4 2006 New home sales – January 2007 Edison International – Q4 2006 results Sprint Nextel Corp – Q4 2006 results Washington Post Co – Q4 2006 results
1 <sup>st</sup> March 2007 (Thursday)	HK  US	:	<b>Retail sales – January 2007</b> <b>Hopewell Holdings (0054) – FY2006/07 interim results</b> <b>SmarTone (0315) – FY2006/07 interim results</b> Hopewell Infrastructure (0737) – FY2006/07 interim results Initial jobless claims – the week ended 24 <sup>th</sup> February 2007 Personal income and spending – January 2007 ISM manufacturing index – February 2007 Construction spending – January 2007 <b>American International Group Inc – Q4 2006 results</b> Berkshire Hathaway Inc – Q4 2006 results <b>Dell Inc – Q4 2006/07 results</b> <b>Gap Inc – Q4 2006/07 results</b> <b>General Motors Corp – Q4 2006 results</b> Kohl's Corp – Q4 2006/07 results <b>Viacom Inc – Q4 2006 results</b>
2 <sup>nd</sup> March 2007 (Friday)	HK US	:	Shenzhen Expressway (0548) – FY2006 final results Costco Wholesale Corp – Q2 2006/07 results

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