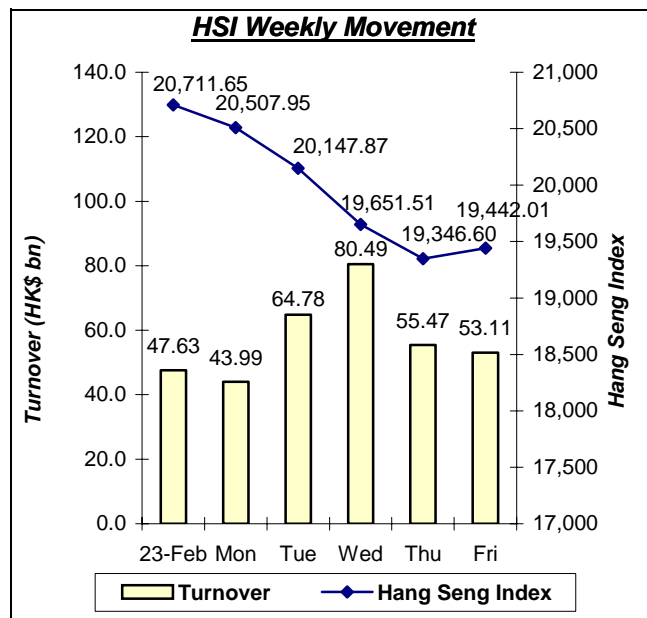


HSI slumped to two-month lows amid rising risk aversion



Weekly Market Statistics				
Week ended	02/03/07	23/02/07	Change	%
Hang Seng Index	19,442	20,712	-1,270	-6.1%
HS Red Chip Index	3,310	3,612	-302	-8.4%
HS China Enterprises Index	8,986	9,956	-970	-9.7%
HS Composite Index	2,681	2,877	-196	-6.8%
HS HK Composite Index	2,402	2,521	-119	-4.7%
HS Mainland Composite Index	3,074	3,369	-296	-8.8%
Growth Enterprise Index	1,297	1,354	-57	-4.2%
Avg Daily Turnover (HK\$ bn)	59.6	43.5	+16	+37.1%
Sectoral Indices				
Finance	30,539	31,634	-1,095	-3.5%
Utilities	35,017	36,588	-1,571	-4.3%
Properties	23,151	25,109	-1,958	-7.8%
Comm & Ind	10,525	11,401	-876	-7.7%

Review & Outlook of Market Performance

Hong Kong stocks tracked Mainland and global equities market and ended sharply lower over the week. The Shanghai and the Shenzhen stock markets experienced their biggest single-day drop in a decade, as investors dumped shares amid fear for further action by the Chinese government to cool down the red-hot stock market. The Shanghai Composite Index tumbled 8.8% on Tuesday, triggering contagious sell-off in major global markets. Hang Seng Index slashed 1,270 points or 6.1% w-o-w to 19,442.01, while the HSCEI slumped 9.7%. Average daily turnover increased to HK\$59.6 billion from HK\$43.5 billion in the previous week, after market turnover hit a record at HK\$80.5 billion on Wednesday.

There were many market rumours in the Mainland during the week, including an expected jump in February inflation initiating another round of monetary tightening, a possible capital gains tax on stock investment, further efforts to halt illegal fund flows into the stock market, etc., which led to a negative tone among domestic investors. Meanwhile, fear of a bubble burst in the US property market as well as a rebound in Japanese yen triggered reversal in "carry trade" among hedge funds also dampened sentiments and sent most global equities markets into the negative territory.

All constituents in both the HSI and the HSCEI headed south, with serious selling pressure on Mainland financials and recent market outperformers. The Hang Seng China H-Financials Index tumbled 10.0% w-o-w, while heavyweights like China Mobile and Sinopec also plunged about one-tenth.

For the coming week, investors will keep close eyes on the earnings announcement of bellwether HSBC next Monday. The banking giant warned earlier that bad loan charges for its US operations will be higher than expected amid a slowing US housing market. Several blue-chip companies also poised for their earnings reports, including Hang Seng Bank, HKEx, SHKP, Cathay Pacific and Swire Pacific. It is too early to say the correction has finished, and the market should stay volatile in the near term. However, as the economic outlook in both the Mainland and Hong Kong remains pleasant, "buy on dips" would be a sensible and reasonable bargain-hunting strategy in the near term.

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.

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							
2nd March	12,234.34*	2,404.21*	17,217.93	3,078.74	1,164.68	679.02	7,670.77
23rd February	12,647.48	2,515.10	18,188.42	3,310.44	1,283.47	690.76	7,809.45 [^]
Change	-413.14	-110.89	-970.49	-231.70	-118.79	-11.74	-138.68
%	-3.3%	-4.4%	-5.3%	-7.0%	-9.3%	-1.7%	-1.8%

Remark (*): closing as of 1st March 2007

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

Major Changes in Index Constituent Stocks (Week ended 2nd March 2007)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @02/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Cheung Kong (Holdings)	0001	HK\$93.45	-HK\$9.05	-8.83%	The stock was under serious selling pressure, as investors rushed to take profit on the counter after its recent rally. Meanwhile, Morgan Stanley cut its rating for Cheung Kong, citing the re-rating cycle of the stock was nearing an end.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @02/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Ping An Insurance	2318	HK\$33.35	-HK\$4.75	-12.47%	Ping An had its Mainland A-shares listed on Thursday. The counter opened 48% higher than the offer price, in line with expectations. Ping An's A shares ended the week at RMB46.41, much higher than its H shares' closing price at HK\$33.35.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @02/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.86	-HK\$0.30	-9.49%	Source was quoted as saying that Lenovo has preliminarily approved a plan to cut 1,000 jobs, mainly in the US. Market watchers said the PC maker has to scale up its effort in cost saving, as market competition remains intense.
COFCO International	0506	HK\$6.30	-HK\$0.14	-2.17%	China Agri-Industries, a spin-off from COFCO Intl, will begin its HK IPO next Thursday (8 Mar). COFCO Intl has set an indicative price range from HK\$3.10-3.70 per share, representing 17.4X – 20.8X 2006 prospective earnings.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – February 2007	112.5	On better labour market outlook, the consumer confidence index surged to 112.5 in Feb, (110.2 in Jan) bucking expectations of a drop to 108.9.
Durable goods orders – January 2007	-7.8%	Orders for durable goods slumped 7.8% m-o-m in Jan amid a drop in aircraft orders, worse than consensus forecast of a 2.5% drop.
GDP (preliminary) – Q4 2006	+2.2%	GDP grew at an annual pace of 2.2% in Q4 2006, down from 3.5% in Q3 2006 and consensus forecast of 2.3%.
New home sales – January 2007	-16.6%	New home sales saw its sharpest drop in 13 years, plunging 16.6% in January to an annual rate of 937,000 units, much lower than expectations of 1.08 million units. Economists blamed the drop to low affordability as well as stronger-than-expected sales in Nov-Dec 2006 drawing out home purchase in last month.
Initial jobless claims – the week ended 24 th February 2007	+7,000	Initial jobless claims rose 7,000 last week to 338,000, rather than an expected drop to 325,000.
Personal income – January 2007	+1.0%	Personal income grew 1% in Jan, stronger than the 0.5% gain in Dec 2006 and consensus forecast of a 0.3% growth.
ISM manufacturing index – February 2007	52.3	The ISM manufacturing index surged to 52.3 in Feb from 49.3 in Jan, indicating revived growth in the manufacturing sector during the month.

Forthcoming Important Announcements / Events

5 th March 2007 (Monday)	HK	:	Asia Satellite (1135) – FY2006 final results Hang Seng Bank (0011) – FY2006 final results HSBC Holdings (0005) – FY2006 final results i-Cable Communications (1097) – FY2006 final results Pacific Basin (2343) – FY2006 final results
	US	:	ISM non-manufacturing index – February 2007
6 th March 2007 (Tuesday)	HK	:	Fubon Bank (HK) (0636) – FY2006 final results Hysan Development (0014) – FY2006 final results San Miguel HK (0236) – FY2006 final results
	US	:	Non-farm productivity (revised) – Q4 2006 Factory orders – January 2007
7 th March 2007 (Wednesday)	HK	:	Cathay Pacific Airways (0293) – FY2006 final results Chong Hing Bank (1111) – FY2006 final results CR Asia (8052) – FY2006 final results Hutchison Harbour Ring (0715) – FY2006 final results SHK Properties (0016) – FY2006/07 interim results
	US	:	Federal Reserve Beige Book
8 th March 2007 (Thursday)	HK	:	ASM Pacific (0522) – FY2006 final results Bank of Communications (3328) – FY2006 final results Hongkong Electric (0006) – FY2006 final results HKEx (0388) – FY2006 final results Phoenix TV (8002) – FY2006 final results Swire Pacific (0019) – FY2006 final results Zijin Mining (2899) – FY2006 final results
	US	:	Initial jobless claims – the week ended 3 rd March 2007
9 th March 2007 (Friday)	HK	:	OOIL (0316) – FY2006 final results
	US	:	Non-farm payrolls – February 2007 Wholesale inventories – January 2007

Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA).

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Information and opinions expressed herein reflect a judgment as of the date of this document and are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction, publication, availability or use would be contrary to law and regulation.