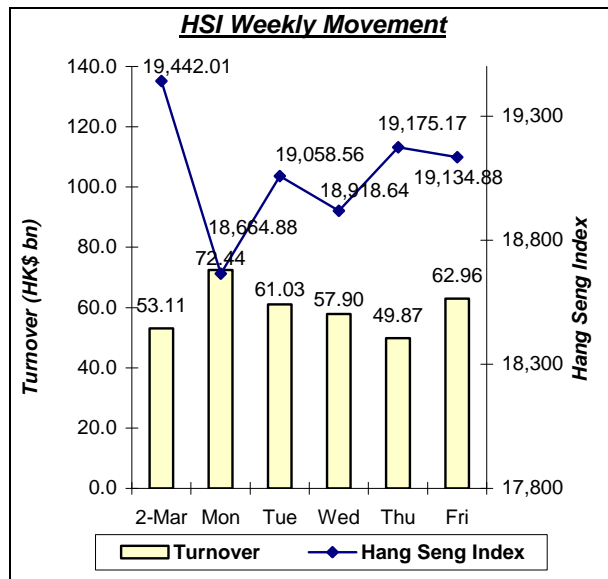


## HSI slowly rebound after massive sell-off



<b>Weekly Market Statistics</b>				
Week ended	09/03/07	02/03/07	Change	%
Hang Seng Index	19,135	19,442	-307	-1.6%
HS Red Chip Index	3,165	3,310	-145	-4.4%
HS China Enterprises Index	9,231	8,986	+245	+2.7%
HS Composite Index	2,673	2,681	-8	-0.3%
HS HK Composite Index	2,403	2,402	+2	+0.1%
HS Mainland Composite Index	3,054	3,074	-19	-0.6%
Growth Enterprise Index	1,264	1,297	-33	-2.5%
Avg Daily Turnover (HK\$ bn)	60.8	59.6	+1	+2.1%
<b>Sectoral Indices</b>				
Finance	30,865	30,539	+327	+1.1%
Utilities	35,181	35,017	+165	+0.5%
Properties	22,643	23,151	-508	-2.2%
Comm & Ind	10,162	10,525	-363	-3.4%

## Review & Outlook of Market Performance

Hong Kong stocks began the week with a 777-point fall on Monday continuing the correction started late last week. The sell-off was contagious affecting regional and US indices mainly spurred by concerns about the U.S. economy and a stronger Japanese yen, which suggested unwinding of carry trades. The indices quickly rebounded on Tuesday mainly led by HSBC (0005) that advanced after its results announcement on Monday. Rebounds in the US bourses and stabilization in other overseas markets also helped neutralizing some of negative sentiments. For the remaining week, investors became cautious and took a wait-and-see approach keeping an eye on fluctuations of Japanese yen for clues of the extent of unwinding in carry trades.

During the week, several blue-chip banks, such as HSBC (0005) and Hang Seng Bank (0011), announced market-expected FY06 results. Hong Kong Exchanges (0388) (HK\$78.05, +2.56% w-o-w) reported an above-expectation 88% surge in net profit to HK\$2,518.6 million in FY06, on top-line growth and stringent cost control. Hang Seng Index fell 307 points or 1.6% w-o-w to 19,134.88, while the HSCEI gained 2.7% to 9,231.21. Average daily turnover increased slightly to HK\$60.8 billion from HK\$59.6 billion in the previous week.

"Buying on dip" activities were more active among the H shares as the Mainland stock market slowly stabilized after last week's slump. Accumulation of China Life Insurance (HK\$21.50, +7.23% w-o-w) and ICBC (HK\$4.40, +5.01% w-o-w) was observed, as the two counters will become new constituents of HSI effective next Monday 12<sup>th</sup> Mar 2007.

For the coming week, investors will keep close eyes on the earnings announcement of several blue-chips, including MTRC, CITIC Pacific, Wing Hang Bank and New World Development. Investors remain cautious, as they are not yet convinced that the rebound is sustainable. Volatility in the market is likely to persist in the near term. However, any major correction would be a bargain hunting opportunity. We see the HSI to consolidate between 18,800 and 19,200.

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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 March	12,260.70*	2,387.73*	17,164.04	3,143.71	1,188.83	671.17	7,568.20
2nd March	12,114.10	2,368.00	17,217.93	3,078.74	1,164.68	679.02	7,670.77
Change	+146.60	+19.73	-53.89	+64.97	+24.15	-7.85	-102.57
%	+1.2%	+0.8%	-0.3%	+2.1%	+2.1%	-1.2%	-1.3%

Remark (\*): closing as of 8<sup>th</sup> March 2007

**Major Changes in Index Constituent Stocks (Week ended 9<sup>th</sup> March 2007)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @09/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Foxconn International	2038	HK\$21.70	+HK\$1.55	+7.69%	The counter was upgraded to "Buy" from "Neutral" by Goldman Sachs due to stronger-than expected global handset demand and continued outsourcing from customers.
New World Development	0017	HK\$17.54	+HK\$0.36	+2.10%	The company announced plans to spin-off its department store operation in the PRC - New World Department Store China (NWDS) for a separate listing in HK.
Sun Hung Kai Properties	0016	HK\$86.90	-HK\$4.80	-5.23%	The company reported a drop of 12.8% y-o-y in FY06 underlying profit, which fell towards the lower end of market expectations.
China Mobile	0941	HK\$67.00	-HK\$4.60	-6.42%	The counter fell as the HSI revision will cut its weighting to about 16%, down from roughly 21%.

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

Stock	Stock Code	Closing Price @09/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
CHALCO	2600	HK\$7.99	+HK\$0.59	+7.97%	Shares of the company soared ahead of the FY06 earnings announcement, which is expected on Monday, 12 March.

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

Stock	Stock Code	Closing Price @09/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas	0688	HK\$8.50	+HK\$0.68	+8.70%	The president of the Company's parent firm said the company aimed to boost annual turnover by about half to as much as HK\$20 billion.



### Summary of US Economic News

Indicator	Change/Index	Comments
ISM non-manufacturing index – February 2007	54.3	The non-manufacturing index, which is made up mostly of service- related companies, moved to a reading of 54.3, from 59.0 in January and 56.7 in December. The overall indication in February is continued economic growth in the non-manufacturing sector, but at a slower pace than in January.
Non-farm productivity (revised) – Q4 2006	+1.6%	Non-farm productivity rose at a 1.6% rate, instead of the previously estimated 3.0% between the months of October and December 2006. In the whole year 2006, productivity grew at 1.6%, the slowest since 1995.
Factory orders – January 2007	-5.6%	U.S. factory orders fell 5.6% during January and that durable goods orders were revised to 8.7% decline, compared with the 7.8% retreat announced last week.
Initial jobless claims – the week ended 3 <sup>rd</sup> March 2007	-10,000	Initial claims fell 10,000 to 328,000 last week, better than an expected figure of 335,000.

### Forthcoming Important Announcements / Events

12 <sup>th</sup> March 2007 (Monday)	HK	:	China Infrastructure Machinery (3339) – FY2006 final results Playmates Holdings Ltd (0635) – FY2006 final results
	US	:	Treasury Budget – February 2007
13 <sup>th</sup> March 2007 (Tuesday)	HK	:	<b>MTRC (0066) – FY2006 final results</b> Chi Cheung Investment Co Ltd (0112) – FY2006 final results <b>Midland Holding (1200) – FY2006 final results</b> Zhengzhou Gas (8099) – FY2006 final results HK Land Auction
	US	:	<b>Retail Sales – February 2007</b> Business Inventories – January 2007 <b>Goldman Sachs – Q1 2007 results</b>
14 <sup>th</sup> March 2007 (Wednesday)	HK	:	Chinese Estates Holdings (0127) – FY2006 final results Prosperity REIT (0808) – FY2006 final results Yorkey Optical (2788) – FY2006 final results Value Convergence Holdings (8101) – FY2006 final results Weigao Group (8199) – FY2006 final results
	US	:	<b>Lehman Brothers Holdings – Q1 2007 results</b>
15 <sup>th</sup> March 2007 (Thursday)	HK	:	China Investments Holdings (0132) – FY2006 final results <b>Citic International Financial (0183) – FY2006 final results</b> <b>Wing Hang Bank (0302) – FY2006 final results</b> <b>CITIC Pacific (0267) – FY2006 final results</b> <b>CKI Holdings (1038) – FY2006 final results</b> TOM Online (8282) – FY2006 final results Kowloon Development (0034) – FY2006 final results <b>The HK &amp; Shanghai Hotels (0045) – FY2006 final results</b> Champion REIT (2778) – FY2006 final results
	US	:	<b>Producer Price Index – February 2007</b> Initial jobless claims – the week ended 10 <sup>th</sup> March 2007 Bear Stearns Co – Q1 2007 results
16 <sup>th</sup> March 2007 (Friday)	HK	:	<b>Beijing Capital Land (2868) – FY2006 final results</b> <b>New World Develop (0017) - FY2006/07 interim results</b> NWS Holdings (0659) - FY2006/07 interim results BYD (1211) – FY2006 final results China Power International (2380) – FY2006 final results
	US	:	<b>Consumer Price Index – February 2007</b> Industrial Production – February 2007

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