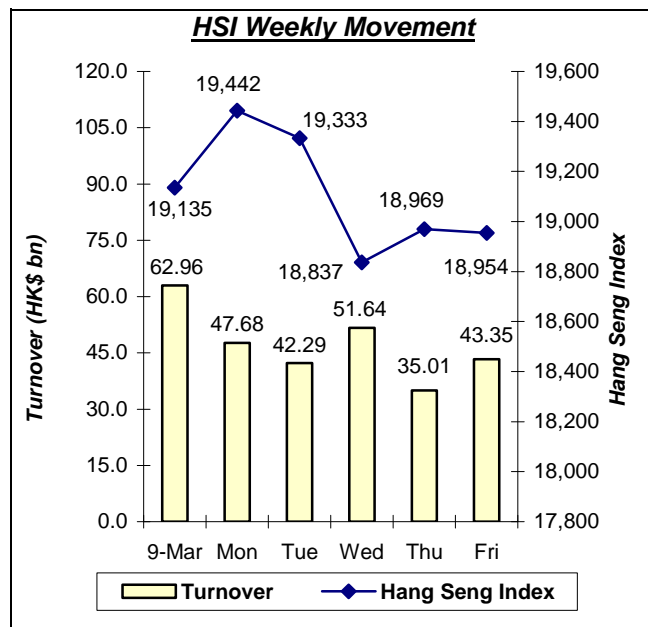


## A roller-coaster week for the local bourse



| <b>Weekly Market Statistics</b> |          |          |        |        |
|---------------------------------|----------|----------|--------|--------|
| Week ended                      | 16/03/07 | 09/03/07 | Change | %      |
| Hang Seng Index                 | 18,954   | 19,135   | -181   | -0.9%  |
| HS Red Chip Index               | 3,247    | 3,165    | +81    | +2.6%  |
| HS China Enterprises Index      | 9,113    | 9,231    | -118   | -1.3%  |
| HS Composite Index              | 2,656    | 2,673    | -18    | -0.7%  |
| HS HK Composite Index           | 2,356    | 2,403    | -47    | -2.0%  |
| HS Mainland Composite Index     | 3,070    | 3,054    | +16    | +0.5%  |
| Growth Enterprise Index         | 1,296    | 1,264    | +33    | +2.6%  |
| Avg Daily Turnover (HK\$ bn)    | 44.0     | 60.8     | -17    | -27.7% |
| Sectoral Indices                |          |          |        |        |
| Finance                         | 30,134   | 30,865   | -732   | -2.4%  |
| Utilities                       | 34,164   | 35,181   | -1,017 | -2.9%  |
| Properties                      | 22,295   | 22,643   | -348   | -1.5%  |
| Comm & Ind                      | 10,235   | 10,162   | +73    | +0.7%  |

## Review & Outlook of Market Performance

Hong Kong stocks started the week in an upbeat tone and the HSI registered a 308-point gain on Monday. However, the rebound halted and reversed trend from Tuesday on profit-taking after the HKSAR government sold three Tai Po sites and reaped HK\$6.18 billion in a public land auction. The satisfactory land sale failed to fuel the local property developers, with the HS Properties Sub-index down 1.5% w-o-w. Moreover, Tuesday's brutal sell-offs in the US markets on concern that the rising sub-prime mortgage delinquencies would hurt consumer spending in the world's largest economy thumped the global equity markets and the local bourse was not immune.

Bellwether HSBC (HK\$133.70), whose 2006 earnings were dragged by provisions made against the US sub-prime mortgage businesses, lost 2.19%. China Life Insurance (HK\$21.00) and ICBC (HK\$4.24) – the newest members of the blue-chip index – received a lukewarm welcome, closing the week down 2.33% and 3.64% respectively. Nevertheless, better performance of heavyweight China Mobile (HK\$69.80, +4.18%) ahead of its 2006 full-year results to be released next Wednesday helped cushion the loss in the HSI. The benchmark index finished at 18,953.50 on Friday, down 0.9% w-o-w. Despite a volatile market, trading was less active this week, with average daily turnover down to HK\$44 billion.

The H-share index finished slightly lower by 1.3% at 9,112.96 amid the mounting concerns of an imminent interest-rate hike by the central bank following a 2.7% rise in the mainland's Feb 07 consumer inflation. Mainland financial counters were generally lower, with the HS China H-Financials Index down 1.73% w-o-w. Weaker crude oil prices also weighed on PetroChina (HK\$8.66, -3.24%) and Sinopec (HK\$5.89, -4.69%).

Looking forward into next week, market spotlight should be on the 2-day FOMC meeting beginning next Tuesday. Results announcements by a slew of HSI constituent companies, including Sino Land, China Mobile, Henderson Land, Li & Fung, Wharf, Cheung Kong, Hutchison Whampoa, COSCO Pacific, BOC Hong Kong and Bank of China are on next week's agenda, while oil major PetroChina will also release its latest report card early next week. Local market should remain very volatile in the near term and the HSI should see support at 18,500.

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**US & Regional Markets Weekly Update**

| Date                  | US<br>Dow Jones  | US<br>NASDAQ   | JAPAN<br>Nikkei Avg | SINGAPORE<br>STI | MALAYSIA<br>KLSE Index | BANGKOK<br>SET Index | TAIPEI<br>Weighted Index |
|-----------------------|------------------|----------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| Week to<br>16th March | 12,159.68*       | 2,378.70*      | 16,744.15           | 3,068.75         | 1,182.20               | 671.05               | 7,719.80                 |
| 9th March             | 12,276.32        | 2,387.55       | 17,164.04           | 3,143.71         | 1,188.83               | 671.17               | 7,568.20                 |
| Change<br>%           | -116.64<br>-1.0% | -8.85<br>-0.4% | -419.89<br>-2.4%    | -74.96<br>-2.4%  | -6.63<br>-0.6%         | -0.12<br>-0.0%       | +151.60<br>+2.0%         |

Remark (\*): closing as of 15<sup>th</sup> March 2007

**Major Changes in Index Constituent Stocks (Week ended 16<sup>th</sup> March 2007)**
**Hang Seng Index (HSI)**

| Stock     | Stock<br>Code | Closing Price<br>@16/03/07 | W-O-W Change |        | Remarks / Comments  |
|-----------|---------------|----------------------------|--------------|--------|---|
|           |               |                            | Absolute     | %      |   |
| Sino Land | 0066          | HK\$15.68                  | -HK\$0.88    | -5.31% | The developer was part of the consortiums winning the bids for the two adjacent Tai Po sites in the land auction this week. |
| HKEx      | 0388          | HK\$73.75                  | -HK\$4.30    | -5.51% | A drop in overall market turnover this week dragged the bourse operator.  |

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

| Stock                            | Stock<br>Code | Closing Price<br>@16/03/07 | W-O-W Change |         | Remarks / Comments                                     |
|----------------------------------|---------------|----------------------------|--------------|---------|--|
|                                  |               |                            | Absolute     | %       |  |
| China<br>Shipping<br>Development | 1138          | HK\$12.04                  | +HK\$1.30    | +12.10% | The shipper surged on solid outlook for freight rates. |

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

| Stock                            | Stock<br>Code | Closing Price<br>@16/03/07 | W-O-W Change |        | Remarks / Comments  |
|----------------------------------|---------------|----------------------------|--------------|--------|---|
|                                  |               |                            | Absolute     | %      |   |
| China<br>Resources<br>Enterprise | 0291          | HK\$23.25                  | +HK\$1.65    | +7.64% | China Resources signed a framework agreement with Sinopec for the sale of petroleum distribution assets that will result in a one-time gain of HK\$2.4 billion. |

**Summary of US Economic News**

| Indicator  | Change/Index                 | Comments   |
|--|------------------------------|--|
| Retail sales<br>– February 2007  | +0.1% m-o-m                  | Retail sales rose an anaemic 0.1% in February, below market expectations.  |
| Business inventories<br>– January 2007                                 | +0.2% m-o-m                  | Business inventories edged up 0.2% in January as expected, while business sales fell 0.7% in the month, the largest decline since September.   |
| Current account<br>– Q4 2006   | US\$195.8 billion<br>deficit | Current account deficit shrank more than expected in the Q4 2006, as lower oil prices took a bite out of imports and US exports continued to rise.   |
| Producer price index<br>– February 2007                                | +1.3% m-o-m                  | PPI rose 1.3% in Feb as energy costs jumped 3.5% and food prices climbed 1.9%. Excluding volatile food and energy costs, the core PPI advanced 0.4%, reflecting steep increases in tobacco and light truck prices. |
| Initial jobless claims<br>– the week ended 10 <sup>th</sup> March 2007 | -12,000                      | Initial jobless claims fell unexpectedly by 12,000 to a seasonally-adjusted 318,000 last week.   |

**Forthcoming Important Announcements / Events**

|   |    |   |  |
|---|----|---|--|
| 19 <sup>th</sup> March 2007 (Monday)    | HK | : | <b>Hong Kong and China Gas (0003) – FY2006 final results</b><br>HannStar Board (0667) – FY2006 final results<br><b>Air China (0753) – FY2006 final results</b><br><b>PetroChina (0857) – FY2006 final results</b>  |
|   | US | : | No important announcements / events  |
| 20 <sup>th</sup> March 2007 (Tuesday)   | HK | : | Unemployment statistics – December 2006 to February 2007<br><b>Sino Land (0083) – FY2006/07 interim results</b><br><b>ICBC (Asia) (0349) – FY2006 final results</b><br>Vedan International (2317) – FY2006 final results<br>Li Ning (2331) – FY2006 final results<br>Hutchison Telecommunications (2332) – FY2006 final results<br><b>TOM Group (2383) – FY2006 final results</b><br>Beijing Jingkelong (8245) – FY2006 final results<br>Intime Department Store (Group) (1833) – trading debut  |
|   | US | : | Housing starts – February 2006<br><b>FOMC meeting (2-day)</b><br>Adobe Systems Inc – Q1 2006/07 results<br><b>Oracle Corp – Q3 2006/07 results</b>   |
| 21 <sup>st</sup> March 2007 (Wednesday) | HK | : | <b>Wharf (Holdings) (0004) – FY2006 final results</b><br><b>Henderson Land (0012) – FY2006/07 interim results</b><br><b>Henderson Investment (0097) – FY2006/07 interim results</b><br><b>Li &amp; Fung (0494) – FY2006 final results</b><br>TVB (0511) – FY2006 final results<br><b>China Overseas (0688) – FY2006 final results</b><br><b>Tencent Holdings (0700) – FY2006 final results</b><br><b>China Mobile (0941) – FY2006 final results</b><br>Ming An (Holdings) (1389) – FY2006 final results<br>China Agri-Industries Holdings (0606) – trading debut   |
|   | US | : | FedEx Corp – Q3 2006/07 results<br><b>Morgan Stanley – Q1 2006/07 results</b>  |
| 22 <sup>nd</sup> March 2007 (Thursday)  | HK | : | Consumer price index – February 2007<br><b>Cheung Kong (Holdings) (0001) – FY2006 final result</b><br><b>Hutchison Whampoa (0013) – FY2006 final result</b><br>China Everbright International (0257) – FY2006 final results<br>Ports Design (0589) – FY2006 final results<br>Chaoda Modern Agriculture (0682) – FY2006 final results<br><b>Kerry Properties (0683) – FY2006 final results</b><br><b>Giordano International (0709) – FY2006 final results</b><br><b>COSCO Pacific (1199) – FY2006 final results</b><br>Zhaojin Mining Industry (1818) – FY2006 final results<br><b>BOC Hong Kong (2388) – FY2006 final result</b><br>Guangzhou R&F Properties (2777) – FY2006 final result<br><b>Bank of China (3988) – FY2006 final result</b> |
|   | US | : | Leading indicators – February 2007<br>Initial jobless claims – the week ended 17 <sup>th</sup> March 2007<br>ConAgra Foods Inc – Q3 2006/07 results<br>Nike Inc – Q3 2006/07 results   |
| 23 <sup>rd</sup> March 2007 (Friday)    | HK | : | Guoco Group (0053) – FY2006/07 interim results<br>Jiangsu Expressway (0177) – FY2006 final results<br><b>China Shenhua Energy (1088) – FY2006 final results</b><br><b>China Oilfield Services (2883) – FY2006 final results</b><br>CASH Financial Services Group (8122) – FY2006 final results   |
|   | US | : | Existing home sales – February 2007<br><b>Freddie Mac – Q4 2006 results</b><br>General Mills Inc – Q3 2006/07 results  |

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