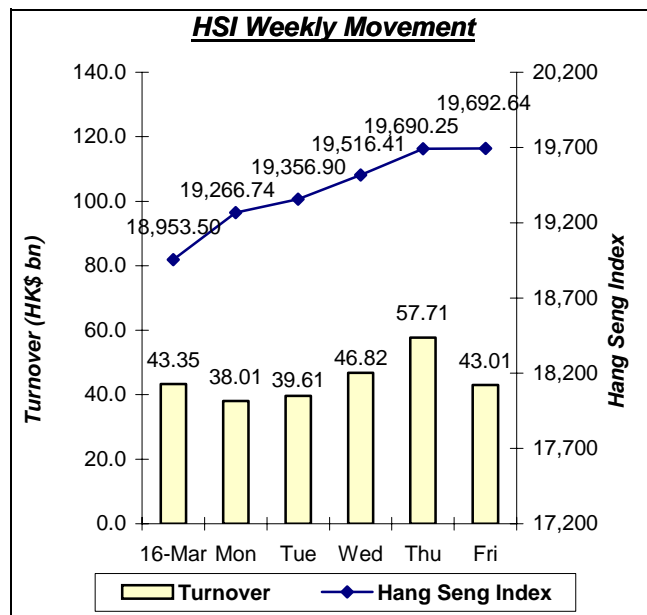


HSI rebounds after rate hike in China and steady rates in the US



Weekly Market Statistics				
Week ended	23/03/07	16/03/07	Change	%
Hang Seng Index	19,693	18,954	+739	+3.9%
HS Red Chip Index	3,367	3,247	+121	+3.7%
HS China Enterprises Index	9,488	9,113	+375	+4.1%
HS Composite Index	2,754	2,656	+98	+3.7%
HS HK Composite Index	2,442	2,356	+86	+3.6%
HS Mainland Composite Index	3,185	3,070	+115	+3.7%
Growth Enterprise Index	1,345	1,296	+49	+3.8%
Avg Daily Turnover (HK\$ bn)	45.0	44.0	+1	+2.3%
Sectoral Indices				
Finance	31,115	30,134	+982	+3.3%
Utilities	35,474	34,164	+1,310	+3.8%
Properties	23,635	22,295	+1,339	+6.0%
Comm & Ind	10,643	10,235	+408	+4.0%

Review & Outlook of Market Performance

Bargain hunting helped lift Hong Kong equities during the week, as the major short-term market overhang was removed. People's Bank of China (PBOC) said during last weekend to raise one-year yuan lending and deposit rates by 27 bps, effective 18th March. It was the third rate hike by PBOC in less than a year, aiming at halting excessive credit and lessening inflationary pressure. The rate hike, a major overhang since the start of the year, is largely expected, and investors returned to the stock market and bargains hunt after market consolidation over the past few weeks. Meanwhile, the Fed announced on Wednesday to hold interest rates unchanged after its two-day FOMC meeting and said the US economic outlook remains positive, which also helped strengthen market sentiment. Hang Seng Index, on a w-o-w basis, rebounded 739 points or 3.9% to 19,692.64, while HSCEI gained 4.1% to 9,487.51.

China related shares were among the winners over the week, after the long-expected rate hike in the Mainland. They were also supported by a bullish Mainland stock market, which set a new record high on Thursday. China Resources Enterprise (291) was the top gainer in the blue-chip index, up a sharp 11.6% w-o-w, followed by Sinopec's 10.0% rally. Meanwhile, local property developers also performed well, as the Fed held rates steady. Hang Lung Properties jumped 9.9% w-o-w, while Sino Land surged 7.4%. The two heavyweights in the HSI, HSBC and China Mobile, were among the laggards. Investors remained cautious over the sub-prime mortgage problem in the US, hindering HSBC's upside, while share performance of China Mobile turned sluggish as its earnings report failed to impress the market.

The earnings season goes on and the financial market would be kept busy before taking a short break in the first week of April observing the Easter holiday. Corporate earnings announced so far have been encouraging with only a few ailing to meet expectations. For the coming week, trading is expected to be turning a bit sluggish and cautious, as the HSI is moving near the 20,000 resistant level after the sharp rebound this week.

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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							
23rd March	12,461.14*	2,451.74*	17,480.61	3,205.82	1,235.65	677.79	7,859.32
16th March	12,110.41	2,372.66	16,744.15	3,068.75	1,182.20	671.05	7,719.80
Change	+350.73	+79.08	+736.46	+137.07	+53.45	+6.74	+139.52
%	+2.9%	+3.3%	+4.4%	+4.5%	+4.5%	+1.0%	+1.8%

Remark (*): closing as of 22nd March 2007

Major Changes in Index Constituent Stocks (Week ended 23rd March 2007)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @23/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$70.95	+HK\$1.15	+1.65%	China Mobile underperformed despite reporting a better-than-expected FY06 final results. Some investors blamed that the mobile carrier gave little colours on the 3G development in the Mainland.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$5.63	-HK\$0.25	-4.25%	Air China fell w-o-w after releasing a worse-than-expected rise in FY06 final results. The China's national flagship air carrier reported an 11.7% rise in profit to RMB2.69 billion in FY06, below forecast of RMB3.3 billion, due to rising operating expenses.
PetroChina	0857	HK\$8.78	+HK\$0.12	+1.39%	PetroChina underperformed, as its FY06 final results failed to impress investors. The refining segment reported a bigger loss in FY06, due to unparallel rise in refined product and oil prices. The segment's challenging operating environment is expected to persist in FY07

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @23/03/07	W-O-W Change		Remarks / Comments
			Absolute	%	
China Overseas Land & Investment	0688	HK\$9.72	+HK\$1.25	+14.76%	The stock shined during the week after the Mainland property developer reported a 55% y-o-y rise in net profit to HK\$2.37 billion, beating forecast of HK\$2.24 billion.

Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts – February 2007	+9.3%	Housing starts surged to an annual rate of 1.53 million units in Feb, up from 1.40 million in Jan and better than consensus forecast of 1.45 million.
Initial jobless claims – the week ended 17 th March 2007	-4,000	Initial jobless claims fell 4,000 to a six-week low at 316,000, bucking market expectations of a surge to 324,000.
Index of leading indicators – February 2007	-0.5%	Index of leading indicators fell 0.5% in Feb, worse than consensus forecast of a 0.3% drop.

Forthcoming Important Announcements / Events

26 th March 2007 (Monday)	HK	:	External merchandise trade statistics – February 2007 Champion Tech (0092) – FY2006 final results China Insurance (0966) – FY2006 final results China Resources Power (0836) – FY2006 final results China Telecom (0728) – FY2006 final results SCMP Group (0583) – FY2006 final results Solomon Systech (2878) – FY2006 final results Tai Sang Land (0089) – FY2006 final results
	US	:	New home sales – February 2007
27 th March 2007 (Tuesday)	HK	:	Greatwall Motor (2333) – FY2006 final results Shangri-La Aia (0069) – FY2006 final results Shimao Property (0813) – FY2006 final results Sinotrans (0598) – FY2006 final results
	US	:	Consumer confidence – March 2007
28 th March 2007 (Wednesday)	HK	:	China COSCO Holdings (1919) – FY2006 final results China Resources Logic (1193) – FY2006 final results CSMC (0597) – FY2006 final results Dah Sing Financial (0440) – FY2006 final results Dah Sing Banking Group (2356) – FY2006 final results Denway Motors (0203) – FY2006 final results PCCW (0008) – FY2006 final results PCPD (0432) – FY2006 final results Travelsky Tech (0696) – FY2006 final results
	US	:	New orders for durable goods – February 2007
29 th March 2007 (Thursday)	HK	:	China Shipping Development (1138) – FY2006 final results China Unicom (0762) – FY2006 final results CNOOC (0883) – FY2006 final results Kingboard Chemical (0148) – FY2006 final results Shanghai Petrochemical (0338) – FY2006 final results SMIC (0981) – FY2006 final results
	US	:	Initial jobless claims – the week ended 24 th March 2007 GDP (final) – Q4 2007
30 th March 2007 (Friday)	HK	:	China Resources Land (1109) – FY2006 final results Datang Power (0991) – FY2006 final results Melco International (0200) – FY2006 final results Yizheng Chemical (1033) – FY2006 final results
	US	:	Personal income and spending – February 2007 Construction spending – February 2007 Michigan consumer sentiment (revised) – March 2007

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