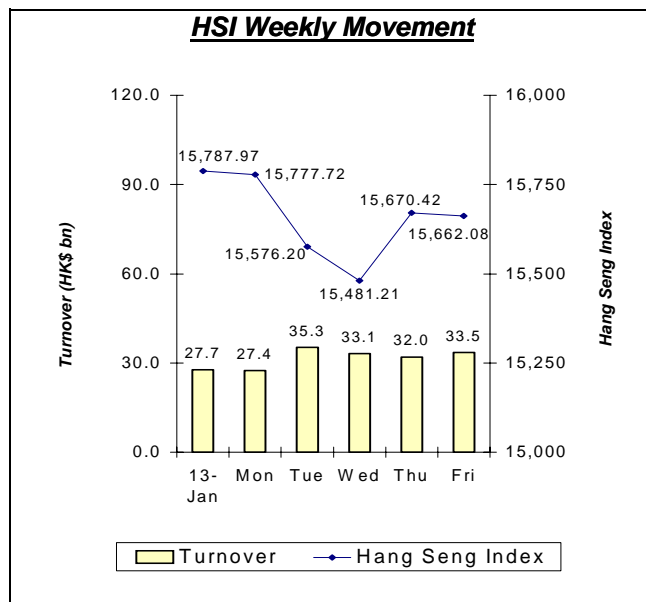


HSI ended a two-week streak gain



Weekly Market Statistics				
Week ended	20/01/2006	13/01/2006	Change	%
Hang Seng Index	15,662.08	15,787.97	-125.89	-0.8%
HS Red Chip Index	2,085.73	2,083.51	+2.22	+0.1%
HS China Enterprises Index	6,097.34	5,884.21	+213.13	+3.6%
HS Composite Index	2,073.82	2,073.65	+0.17	+0.0%
HS HK Composite Index	2,071.46	2,084.18	-12.72	-0.6%
HS Mainland Composite Index	2,090.45	2,064.91	+25.54	+1.2%
S&P/HKEx GEM Index	1,142.60	1,062.08	+80.52	+7.6%
Avg Daily Turnover (HK\$ bn)	32.28	33.82	-1.54	-4.6%
Sectoral Indices				
Finance	27,680.03	27,966.01	-285.98	-1.0%
Utilities	31,466.41	31,714.71	-248.30	-0.8%
Properties	19,273.23	19,322.96	-49.73	-0.3%
Comm & Ind	7,623.58	7,680.68	-57.10	-0.7%

Review & Outlook of Market Performance

HSI ended a two-week streak gain as weaknesses of overseas markets and surging oil prices weighed on the market. During the week, the raid of a major Internet company (Livedoor) by Japanese prosecutors caused a sharp correction on the Nikkei Index that in turn spread negative sentiment to other Asian markets. Oil prices shot through US\$67 level also caused concerns on corporate earnings. HSI fell 125.89 points, or 0.8% w-o-w, to close at 15,662.08. Turnover remained robust with average daily turnover of HK\$33.82 billion.

H-shares were the market focus during the week. HSCEI gained 213.13 points, or 3.6% w-o-w, to close at an eight year high of 6,097.34 as boosted by the strength of mainland markets and the gains of oil stocks. Rumours related to a merge of A and B shares had led to explosive rallies of B share markets last week as investors expected that valuation of B shares should play catch up with their A share counterparts. The optimism helped fuelling the buying interests in H shares. On the other hand, crude oil reached a three-month high of US\$67 and likely to retest US\$70 level soon as the United States and its allies are mulling to impose sanctions on Iran in order to force Iran to end nuclear research. Threats of Nigerian militants resuming their attacks on oil facilities also rekindled investors' fear of oil shortage. Sinopec (0386) and PetroChina (0857) jumped 5.9% and 7.9% w-o-w to close at HK\$4.50 and HK\$7.50 respectively. China Oilfield (2883) also benefited from the signing of service contracts with Iran and surged 12.9% w-o-w to close at HK\$3.725.

Last Tuesday, Yue Yuen Industrial (0551) reported a 2.2% y-o-y increase in net profits to US\$310 million for the year ended 30th September 2005, which was well below consensus forecast. The lower than expected result was due to high material costs and loss of pricing power to clients like Nike and Reebok. Shares of Yue Yuen dropped 1.3% w-o-w to close at HK\$22.60.

Looking ahead, funds flows, performance of overseas markets and oil prices would dominant the direction of Hong Kong market in the near term. With the US Dow plunging 213 points or nearly 2% on Friday, selling pressure are likely to be strong next week and we see initial support at 15,250.

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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							
20th January	10,667.39	2,247.70	15,696.69	2,388.91	905.41	747.70	6,486.63
13th January	10,959.87	2,317.04	16,454.95	2,405.86	911.90	755.72	6,682.35
Change	-292.48	-69.34	-758.26	-16.95	-6.49	-8.02	-195.72
%	-2.7%	-3.0%	-4.6%	-0.7%	-0.7%	-1.1%	-2.9%

Major Changes in Index Constituent Stocks (Week ended 20th January 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @20/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.925	+HK\$0.225	+8.3%	The counter was considered as a laggard in recent rally.
CNOOC	0883	HK\$6.30	+HK\$0.30	+5.0%	Oil prices jumped to their highest level in over 3 months amid political tension in the Middle East.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$4.5	+HK\$0.25	+5.9%	Oil prices surged to their highest level in over 3 months amid political tension in the Middle East.
PetroChina	0857	HK\$7.5	+HK\$0.55	+7.9%	
Chalco	2600	HK\$6.7	+HK\$0.75	+12.6%	The company revealed that it has started preparations to list domestic A shares on a mainland bourse.
China Oilfield	2883	HK\$3.725	+HK\$0.425	+12.9%	The company signed service contracts with Iran and Myanmar that worth up to US\$40 million.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @20/01/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (Hong Kong)	0135	HK\$2.075	+HK\$0.255	+14.0%	Investors expected valuations of the company would rise on its oil reserves in Kazakhstan.

Indicator	Change/Index	Comments
December Industrial Production	+0.6%	The increase was higher than consensus forecast (+0.5%) due to the continued recovery of energy related industries that were affected by the recent hurricanes.
December Consumer Price Index	-0.1%	The figure was lower than market consensus (+0.2%) that reflected a larger than expected decline in energy prices.
Initial Jobless Claims – Week ended 15 th January	-36k	The number was lower than market expected (+7k). The four-week moving average was 299,000, a decrease of 12,000 from the previous week's revised average of 311,000.
December Housing Starts	-8.9%	The decline was more than consensus estimates (-4.4%) and reversed previous month's trend (+3.4%)

23 rd January 2006 (Monday)	HK US	:	QPL International Holdings Limited (0243) – Interim results American Express Company (AXP) – Q4 results Bank of America Corporation (BAC) – Q4 results E*TRADE Financial Corp. (ET) – Q4 results Ford Motor Company (F) – Q4 results Texas Instruments (TXN) – Q4 results
24 th January 2006 (Tuesday)	HK US	:	Oriental Investment Corporation (0735) – Interim results 3M Company (MMM) – Q4 results Corning (GLW) – Q4 results EMC Corporation (EMC) – Q4 results Johnson & Johnson (JNJ) – Q4 results Lucent Technologies Inc. (LU) – Q1 results Sun Microsystems (SUNW) – Q2 results
25 th January 2006 (Wednesday)	HK US	:	Huafeng Textile International Group (0364) – Final results December Existing Home Sales Abbott Laboratories (ABT) – Q4 results BellSouth Corporation (BLS) – Q4 results Bristol-Myers Squibb (BMY) – Q4 results ConocoPhillips (COP) – Q4 results Qualcomm Inc. (QCOM) – Q1 results
26 th January 2006 (Thursday)	HK US	:	December External Trade Balance Neo-China Group (Holdings) Limited (0563) – Interim results Initial Jobless Claims – Week ended 22 nd January December Durable Goods Orders Amgen (AMGN) – Q4 results AT & T (T) – Q4 results Caterpillar Inc. (CAT) – Q4 results Eli Lilly (LLY) – Q4 results General Motors (GM) – Q4 results Microsoft (MSFT) – Q2 results Nokia (NOK) – Q4 results Verizon (VZ) Q4 results
27 th January 2006 (Friday)	HK US	:	December Money Supply PINE Technology Holdings Limited (8013) – Interim results Fourth Quarter Advance GDP December New Home Sales Chevron (CVX) – Q4 results Halliburton Company (HAL) – Q4 results Procter & Gamble Company (PG) – Q2 results



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