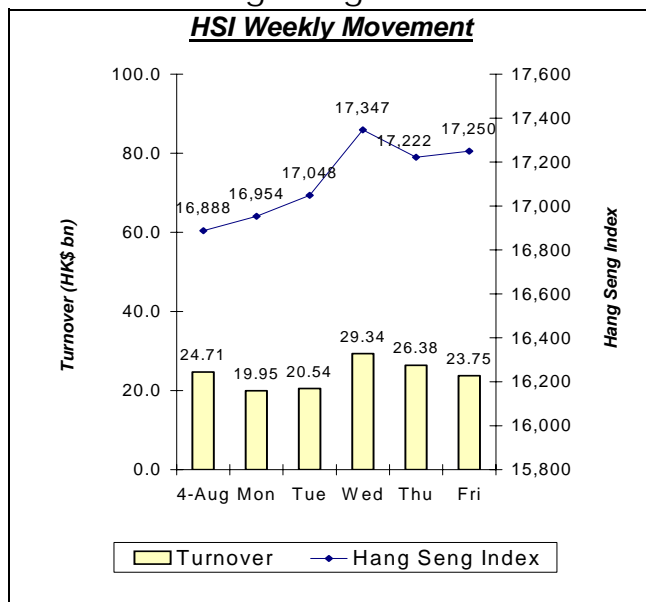


Hang Seng Index fetched six-year high during the week



Weekly Market Statistics				
Week ended	11/8/2006	4/8/2006	Change	%
Hang Seng Index	17,250	16,888	+362	+2.1%
HS Red Chip Index	2,568	2,446	+122	+5.0%
HS China Enterprises Index	7,002	6,821	+182	+2.7%
HS Composite Index	2,282	2,234	+48	+2.2%
HS HK Composite Index	2,212	2,182	+30	+1.4%
HS Mainland Composite Index	2,404	2,329	+75	+3.2%
S&P/HKEx GEM Index	1,130	1,135	-5	-0.4%
Avg Daily Turnover (HK\$ bn)	23.99	24.19	-0.20	-0.8%
Sectoral Indices				
Finance	29,745	29,581	164	+0.6%
Utilities	32,647	32,388	259	+0.8%
Properties	20,479	20,253	226	+1.1%
Comm & Ind	8,690	8,372	317	+3.8%

Review & Outlook of Market Performance

Hang Seng Index set a fresh six-year high during the week, driven by short-covering as well as persisting buying interests after the Fed took a break in its rate-hike campaign last week. Meanwhile, a surprising 25-bps rate cut by BOC (Hong Kong) also helped boost market sentiment. Over the week, the blue-chip index rallied 362.15 points or 2.1% to close at 17,249.95, after touching a high at 17,349.99 on Wednesday. Average daily turnover was flat at HK\$23.99 billion, compared with HK\$24.19 billion in the previous week.

Li & Fung was the star of the week, jumping 11.45% w-o-w, as the trading firm reported a strong 24% y-o-y rise in net profit during 1H06. The performance of index heavyweight China Mobile was also eye-catching, touching a high not seeing since late 2000 before it ended up 5.53% w-o-w, as investors expected the mobile carrier to deliver a good interim result, which is due on next Thursday. Cathay Pacific gained more than 2% w-o-w despite reporting a flat 1H2006 earnings, as the air carrier's hedging and surcharge measures showed resilient effort in containing rising fuel expenses.

HSCEI gained 2.67% w-o-w to 7,002, settling above the 7,000 mark for first time since May 2006. Performance of H shares was mixed during the week. Shanghai Electric was under strong selling pressure, down by 11% w-o-w, after the announcement that its executive director was under a "criminal investigation". Dongfeng Motor slumped 8.38%, after being downgraded by Merrill. Shanghai Petrochemical rallied a sharp 9.97% on news that parent Sinopec is arranging loans for privatizing the company.

Meanwhile, HSI Services, the index compiler, said after market close on Friday that China Construction Bank would be added to the blue-chip index, the first time for an H-share company. HKEX and Foxconn will also join the HSI, replacing Lenovo and Johnson Electric, effective 11th September.

Market focus is expected to switch to China plays next week, as major red-chip and H-share companies will start announcing their 1H06 results next week, with Ping An Insurance on Tuesday and China Mobile on Thursday. We see the Hang Seng Index to re-test the 17,350 level next 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 11th August	11,088.03	2,057.71	15,565.02	2,450.63	942.27	708.42	6,571.10
4th August	11,240.35	2,085.05	15,499.18	2,462.92	937.99	703.28	6,442.61
Change	-152.32	-27.34	+65.84	-12.29	+4.28	+5.14	+128.49
%	-1.4%	-1.3%	+0.4%	-0.5%	+0.5%	+0.7%	+2.0%

Major Changes in Index Constituent Stocks (Week ended 11th August 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @11/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$17.32	+HK\$1.78	+11.45%	Li & Fung topped all gainers in the blue-chip index this week, after it reported a 24% y-o-y jump in net profit for the first half, beating market expectations.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @11/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.74	-HK\$0.22	-7.43%	Air China was under pressure over the week, as it was reported that the mainland carrier had to cut the size of its A-share IPO by 39% due to poor demand from institutional investors.
Dongfeng Motor	0489	HK\$3.06	-HK\$0.28	-8.38%	Dongfeng was one of the worst performing stocks in HSCEI during the week, after it was downgraded by Merrill Lynch, citing unhealthy build-up of inventory.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @11/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.45	-HK\$0.12	-4.67%	Tracking weakness in Dongfeng Motor, Denway Motors also fell sharply over the week. Denway Motors' joint venture with Honda Motor revealed that car sales during the first seven months this year was up by 8.5% y-o-y. However, its car sales in July dropped a sharp 24% from June.

Summary of US Economic News

Indicator	Change/Index	Comments
Productivity – Q2 2006	+1.1%	US non-farm productivity grew 1.1% during Q2 2006, slightly higher than consensus forecast of a 0.9% gain.
Wholesale inventory – June	+0.8%	US wholesale inventory rose 0.8% in Jun, mainly due to build-up of timber, machinery and metal inventories.
Initial jobless claims – the week ended 5 th August 2006	+7,000	Initial jobless rate surged 7,000 to 319,000, higher than consensus forecast of 315,000. However, economists pointed out that it remained at healthy levels.
Trade Balance – June	-US\$64.8 bn	US trade deficit slipped slightly to US\$64.8 billion in June from US\$65 billion in May, slightly greater than market expectations.
Retail sales – July	+1.4%	Retail sales surged 1.4% m-o-m in July, reversing the previous reading of a 0.1% drop and beating consensus of a 0.5% gain.
Business inventory – June	+0.8%	Business inventory rose 0.8% in June, higher than expectations of a 0.5% rise.

Forthcoming Important Announcements / Events

14 th August 2006 (Monday)	HK	:	Angang Newsteel (0347) – interim results China Paradise (0503) – interim results i-Cable Communications (1097) – interim results Parkson Group (3368) – interim results
	US	:	No important announcement/ event
15 th August 2006 (Tuesday)	HK	:	Beijing North Star (0588) – interim results CLP Holdings (0002) – interim results Huaneng Power (0902) – interim results Lianhua (0980) – interim results Ping An Insurance (2318) – interim results
	US	:	Producer price index – July 2006 Home Depot – Q2 2006 results Wal-Mart Stores – Q2 2006 results
16 th August 2006 (Wednesday)	HK	:	Hong Kong Exchanges and Clearing (0388) – interim results HTIL (2332) – interim results Liu Chong Hing Bank (1111) – interim results Shineway Pharmaceutical (2877) – interim results
	US	:	Wing Lung Bank (0096) – interim results Consumer price index – July 2006 Industrial production – July 2006 Hewlett-Packard – Q2 2006 results
17 th August 2006 (Thursday)	HK	:	Unemployment rate – May-Jul 2006 China Mobile (0941) – interim results China Power (2380) – interim results China Southern Airlines (1055) – interim results CIFH (0183) – interim results CKI Holdings (1038) – interim results Wing Hang Bank (0302) – interim results
	US	:	Initial jobless claims – week ended 12 th August 2006 Index of leading indicators – July 2006 Dell Inc – Q2 2006 results
18 th August 2006 (Friday)	HK	:	Anhui Expressway (0995) – interim results Jiangsu Expressway (0177) – interim results PICC P&C (2328) – interim results Shanghai Electric (2727) – interim results
	US	:	Michigan Consumer Sentiment (Preliminary) – August 2006

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