



# BEA securities

EAST ASIA SECURITIES COMPANY LIMITED

9/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 3608 8000 Research: 3608 8097 Facsimile: 3608 6132

HONG KONG RESEARCH

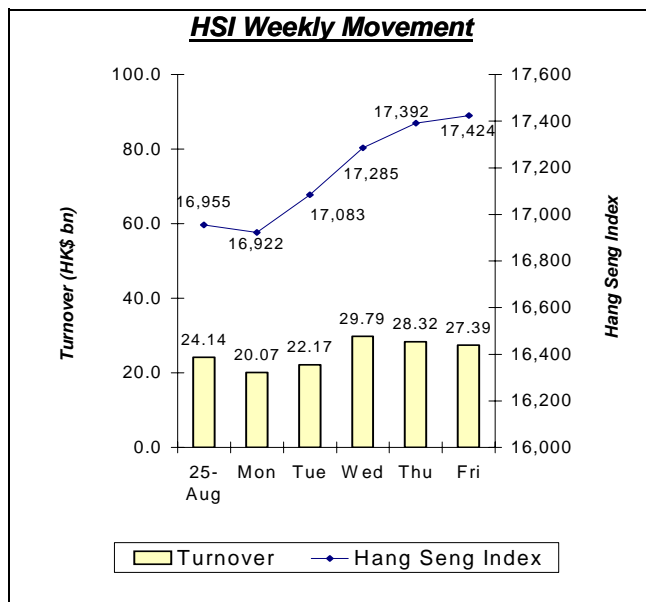
Restricted circulation

Analyst: Kevin Tam

Weekly Report

2<sup>nd</sup> September 2006

## HSI set to mark another six-year high



<b>Weekly Market Statistics</b>				
Week ended	1/9/2006	25/8/2006	Change	%
Hang Seng Index	17,424	16,955	468	+2.8%
HS Red Chip Index	2,579	2,492	87	+3.5%
HS China Enterprises Index	6,893	6,869	24	+0.4%
HS Composite Index	2,300	2,248	52	+2.3%
HS HK Composite Index	2,252	2,196	56	+2.5%
HS Mainland Composite Index	2,390	2,344	46	+2.0%
S&P/HKEx GEM Index	1,158	1,141	17	+1.5%
Avg Daily Turnover (HK\$ bn)	25.5	24.8	1	+3.0%
Sectoral Indices				
Finance	29,902	29,346	557	+1.9%
Utilities	33,936	32,992	944	+2.9%
Properties	20,991	20,174	817	+4.0%
Comm & Ind	8,752	8,487	265	+3.1%

## Review & Outlook of Market Performance

Hong Kong stock market performed strongly over the week on encouraging corporate results and the increasingly likelihood of the US rate peaking. The Hang Seng Index rose to 17,424, up 2.8% w-o-w. However, HSCEI lagged behind, up only 0.4% w-o-w to 6,893 on weak performance of commodities stocks. Also, uncertainties over tightening measures hindered the performance of China banking counters. Average daily turnover was HK\$25.5 billion, up from HK\$24.8 billion in the previous week.

Listed companies continued to roll out satisfactory first-half results. BOC Hong Kong posted a better-than-expected 8.4% y-o-y increase in net profit to HK\$7.1 billion for 1H06, on good performance of both revenue growth and effective cost control. BOCHK surged 6.2% over the week to HK\$17.14. Meanwhile, its parent Bank of China also reported a better than expected 1H06 net profit of RMB19.5 billion, up 28% y-o-y, on growth of net fees and commissions income and cost control. However, Bank of China was down 0.6% over the week to HK\$3.36. Driven by rapid premium growth and robust investment returns, China Life reported a better-than-expected 72.2% y-o-y net profit growth to RMB8.97 billion for 1H06. The insurer edged up 0.58% over the week to HK\$13.78 as the good news had already been priced in.

Offshore oil explorer CNOOC reported a 37.6% y-o-y rise in net profit to RMB16.3 billion for 1H06, which was also higher than expectations. However, CNOOC went down 0.15% w-o-w to HK\$6.77 on falling oil prices. Sinopec beat expectations with an 8.9% y-o-y rise in net profit to RMB21.4 billion for 1H06, thanks to a jump in profit from oil exploration offsetting earnings drop in oil refining. Sinopec advanced 4.9% w-o-w to HK\$4.71. Air China reported a smaller than expected 22.5% y-o-y drop in net profit to RMB458 million for 1H06, mainly due to successful hedging against rising fuel cost. Air China gained 8.82% to HK\$2.96 over the week and being the strongest performing HSCEI constituency.

Next week, Hang Seng Index should have momentum to challenge another six-year high on the back of strong corporate results, improving sentiment on global stock market, and US economic data indicating inflation is under control. However, HSCEI is expected to continue under-performing on retreating oil prices and uncertainties over further tightening measures to cool down the PRC economy.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.*

**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							
1st September	11,464.15	2,193.16	16,134.25	2,491.49	960.69	696.44	6,651.46
25th August	11,284.05	2,140.29	15,938.66	2,453.21	950.52	689.13	6,526.22
Change	+180.10	+52.87	+195.59	+38.28	+10.17	+7.31	+125.24
%	+1.6%	+2.5%	+1.2%	+1.6%	+1.1%	+1.1%	+1.9%

**Major Changes in Index Constituent Stocks (Week ended 1<sup>st</sup> September 2006)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @1/9/06	W-O-W Change		Remarks / Comments
Johnson Electric	0179	HK\$5.95	+HK\$0.55	+10.19%	The industrial stock, which will be excluded from the HSI constituency shortly, was surprisingly the strongest performing blue chips this week. Having been oversold severely in the past months, investors were betting the worst over rising material cost has passed.
Hutchison	0013	HK\$70.6	-HK\$0.95	-1.33%	Media reported Vodafone had launched a price cutting campaign in UK to secure market share, raising further uncertainty over the prospect of 3G

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

Stock	Stock Code	Closing Price @1/9/06	W-O-W Change		Remarks / Comments
			<b>Absolute</b>	<b>%</b>	
ZTE	0763	HK\$27.05	+HK\$2.05	+8.2%	Re-surfacing speculations over the launch of China 3G licenses lifted the performance of this telecommunication equipment manufacturer.
CSCL	2866	HK\$1.81	-HK\$0.2	-9.95%	The container liner reported a disappointing 96% plunge in 1H06 net profit to RMB 81.2 million on rising fuel costs and declining freight rate.

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

Stock	Stock Code	Closing Price @1/9/06	W-O-W Change		Remarks / Comments
			<b>Absolute</b>	<b>%</b>	
TCL Multimedia	1070	HK\$0.62	-HK\$0.07	-10.14%	The TV manufacturer announced yet another disappointing 1H06 net loss of HK\$1.6 billion.

### Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence – Aug	99.6	Consumer confidence slipped from 106.5 in the prior month, and was lower than expectations of 102.7.
GDP (preliminary) – Q2 2006	2.9%	GDP growth was revised upward from 2.5% in the initial release.
Personal income – July	+0.5%	The figure was in line with expectations, but was slightly lower than prior month's +0.6%.
Personal spending – July	+0.8%	The figure was in line with expectations, but was higher than prior month's +0.4%.
PCE Core (MoM) – July	+0.1%	The figure was lower than expectations' and prior month's +0.2%.
Initial jobless claims – the week ended 27 <sup>th</sup> Aug	316k	The figure edged slightly upwards from 313k in the prior week.
Chicago purchasing manager – August	57.1	The index was slightly lower than 57.9 in the prior month.
Factory orders – July	-0.6%	The decline deteriorated from +1.2% in the prior month, but was better than expectations of -0.9%.
Change in non-farm payroll – August	+128k	The new job figure was slightly higher than forecast (125k), and improved from 113k in the prior month.
Unemployment Rate – August	4.7%	Unemployment dipped from 4.8% in the prior month.
Average hourly earnings (MoM) – August	+0.1%	The average hourly earning was milder than the +0.3% forecast, and +0.4% in the prior month.
Michigan Consumer Sentiment (Final) – Aug	82	The final figure released revised from the initial read of 78.7.
ISM manufacturing – August	54.5	The index was in line with forecast, and was slightly down from 54.7 in the prior month.

### Forthcoming Important Announcements / Events

4 <sup>th</sup> September 2006 (Monday)	HK	:	No important announcement/ event
	US	:	No important announcement/ event
5 <sup>th</sup> September 2006 (Tuesday)	HK	:	<b>Denway Motor (0203) - Interim Results</b> <b>China Travel HK (0308) – Interim Results</b> <b>Mengniu Dairy (2319) – Interim Results</b> <b>China Greentown (3900) – Interim Results</b>
	US	:	No important announcement/ event
6 <sup>th</sup> September 2006 (Wednesday)	HK	:	<b>China Resources (0291) – Interim Results</b> GZI Transport (1052) – Interim Results
	US	:	<b>Non-farm Productivity (preliminary) – 2Q</b> Unit labour costs (preliminary) – 2Q ISM non-manufacturing – August
7 <sup>th</sup> September 2006 (Thursday)	HK	:	First Pacific (0142) - Interim Results <b>Cosco Pacific (1199) – Interim Results</b> Baoye Group (2355) - Interim Results
	US	:	Fed's Beige Book Initial Jobless Claims – week ended 3 September
8 <sup>th</sup> September 2006 (Friday)	HK	:	<b>Shun Tak Holdings (0242) - Interim Results</b> Weiqiao Textile (2698) - Interim Results
	US	:	No important announcement/ event
9 <sup>th</sup> September 2006 (Saturday)	HK	:	Top Form International (0333) – Final Results
	US	:	No important announcement/ event

**Important Disclosure / Analyst Certification / Disclaimer**

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA). At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA and / its associated or affiliated companies may from time to time have interests in securities of the company or companies mentioned herein.

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.