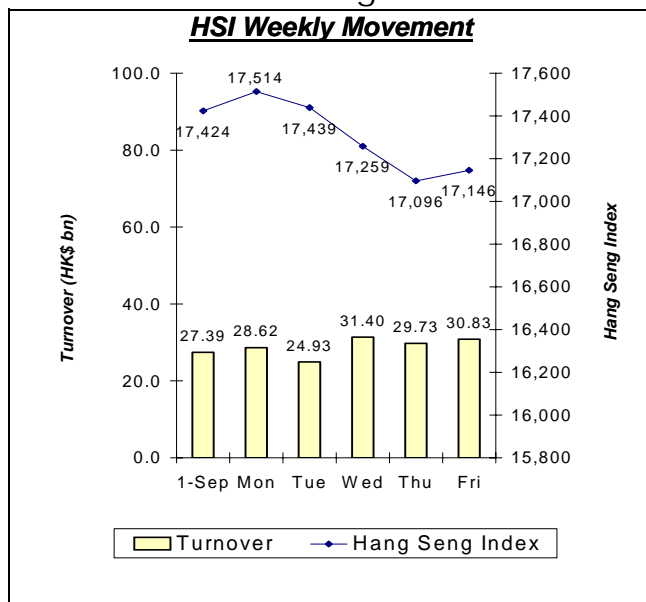


Profit taking took HSI lower after hitting a fresh 6-yr high



Weekly Market Statistics				
Week ended	8/9/2006	1/9/2006	Change	%
Hang Seng Index	17,146	17,424	(278)	-1.6%
HS Red Chip Index	2,550	2,579	(29)	-1.1%
HS China Enterprises Index	6,953	6,893	60	+0.9%
HS Composite Index	2,289	2,300	(11)	-0.5%
HS HK Composite Index	2,230	2,252	(22)	-1.0%
HS Mainland Composite Index	2,396	2,390	6	+0.2%
S&P/HKEx GEM Index	1,135	1,158	(23)	-2.0%
Avg Daily Turnover (HK\$ bn)	29.1	25.5	4	+14.1%
Sectoral Indices				
Finance	29,452	29,902	(451)	-1.5%
Utilities	33,943	33,936	7	+0.0%
Properties	20,727	20,991	(264)	-1.3%
Comm & Ind	8,584	8,752	(168)	-1.9%

Review & Outlook of Market Performance

Hang Seng Index hit a fresh six-year high above 17,500 on Monday, after the US payrolls report released on the previous Friday reinforcing market expectations for the Fed to leave rates unchanged in the next FOMC meeting on 20th September. However, profit taking emerged shortly afterwards, as latest figures showed increase of labour cost pressure. Hang Seng Index ended the week at 17,145.76, down 278 points or 1.6% w-o-w. Average daily turnover surged to HK\$29.1 billion, from HK\$25.5 billion in the previous week.

Rate-hike fear re-emerged, after figures showed US business productivity gained larger than expected, while unit labour costs posted its biggest gain since Q3 2000 in 2Q06. Bellwether HSBC Holdings fell by 1.63% w-o-w, while China Mobile dropped 1.43% on reshuffling of the Hang Seng Index Constituents weightings effective 11th September. Property developers were also among the losers, with Hang Lung Properties and Henderson Land down 3.27% and 2.39% w-o-w, respectively. Lenovo Group was the worst performing stock in the blue-chip index ahead of its HSI exit, while COSCO Pacific tumbled on its weaker-than-expected interim results.

HSCEI outshined the blue-chip index during the week with a 0.9% gain at 6,953.00, as gains in Mainland financials offset a drop in index heavyweight PetroChina. Insurance plays showed a solid performance, with China Life up 3.77% and Ping An 2.17% higher w-o-w. Mainland banks registered mild gains, with China Construction Bank up 1.48% and Bank of Communications up 1.02%.

Profit taking should take a breather next week, as we saw some buying interests near 17,000 and market sentiment would get a relief following the 5th anniversary of 911 attack next Monday. Meanwhile, China will release its monthly economic data. Nonetheless, we expect the market to be traded in a tight range, as investors would sideline to wait for the US consumer price index figures scheduled to be released next Friday and stay cautious ahead of the FOMC on 20th September. The market outlook remains positive, but the short-term upside should be capped near 17,500.

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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							
8th September	11,392.11	2,165.79	16,080.46	2,510.24	956.70	692.46	6,693.11
1st September	11,464.15	2,193.16	16,134.25	2,491.49	960.69	696.44	6,651.46
Change	-72.04	-27.37	-53.79	+18.75	-3.99	-3.98	+41.65
%	-0.6%	-1.2%	-0.3%	+0.8%	-0.4%	-0.6%	+0.6%

Major Changes in Index Constituent Stocks (Week ended 8th September 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @8/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.78	-HK\$0.43	-13.40%	The stock was the worst performing stock in the blue-chip index, ahead of its HSI exit after the market close on Friday (8 th Sep). Meanwhile, profit taking after a strong rally in the previous week also contributed to the sharp w-o-w drop in the stock.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @8/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Company	1211	HK\$21.70	+HK\$3.64	+20.16%	The battery manufacturer jumped more than 20% during the week, as investors bid up the shares following the investment in BYD shares by Value Partners raised its stake in BYD to 6.11% from 5.94% in August, after a similar share purchase in July.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @8/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$16.40	-HK\$1.26	-7.13%	Port operator COSCO Pacific fell sharply over the week, after revealing a weaker-than-expected interim result on Thursday. The company's 1H06 profits fell 36.5% y-o-y, due to weak sales in its container manufacturing segment as well as a put options expense in relation to share reform incurred during the first half.

Summary of US Economic News

Indicator	Change/In dex	Comments
ISM non-manufacturing index – August	57	ISM non-manufacturing index surged to 57 in August from 54.8 in July, implying a stronger growth in the US's service sector.
Business productivity – Q2 2006	+1.6%	Business productivity grew at an annual rate of 1.6% in the second quarter, higher than the expected 1.5%. Unit labour costs also grew at a strong 4.9% in 2Q 2006, higher than consensus forecast of 3.8%.
Wholesale inventory – July	+0.8%	Wholesale inventory grew 0.8% in July, higher than market expectations of a 0.6% gain.
Initial jobless claims – the week ended 2 nd September 2006	-9,000	Initial jobless claims fell 9,000 last week to 310,000, better than consensus forecast of a drop to 315,000

Forthcoming Important Announcements / Events

11 th September 2006 (Monday)	HK	:	APT Satellite (1045) – interim results Roadshow (0888) – interim results
	US	:	Bear Stearns – Q3 FY2005/06
12 th September 2006 (Tuesday)	HK	:	Century Legend (0079) – interim results Cross-Harbour (Holdings) (0032) – interim results San Miguel (0236) – interim results Sun Hung Kai Co (0086) – interim results Tianjin Port Development (3382) – interim results
	US	:	Trade balance – July 2006 Best Buy – Q2 FY2006/07 results Goldman Sachs – Q3 FY2005/06 results
13 th September 2006 (Wednesday)	HK	:	Beijing Enterprise (0392) – interim results BYD Company (1211) – interim results Dynasty Wines (0828) – interim results Esprit Holdings (0330) – final results Great Eagle (0041) – interim results Guangdong Investment (0270) – interim results HK & China Gas (0003) – interim results Tianjin Development (0882) – interim results
	US	:	Treasury budget – August 2006
14 th September 2006 (Thursday)	HK	:	HK Ferry (Holdings) (0050) – interim results HK&S Hotels (0045) – interim results Kingway Brewery (0124) – interim results Meilan Airport (0357) – interim results PCCW (0008) – interim results PCPD (0432) – interim results Sun Hung Kai Properties (0016) – final results Sunday Communications (0866) – interim results Taifook Securities (0665) – interim results
	US	:	Initial jobless claims – week ended 9 th September 2006 Business inventory – July 2006 Retail sales – August 2006 Bear Stearns Cos Inc – Q3 FY2005/06 results
15 th September 2006 (Friday)	HK	:	China Resources Land (1109) – interim results Guangzhou Investment (0123) – interim results Kerry Properties (0683) – interim results
	US	:	Consumer price index – August 2006 Industrial production – August 2006 University of Michigan consumer sentiments (preliminary) – September 2006

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