

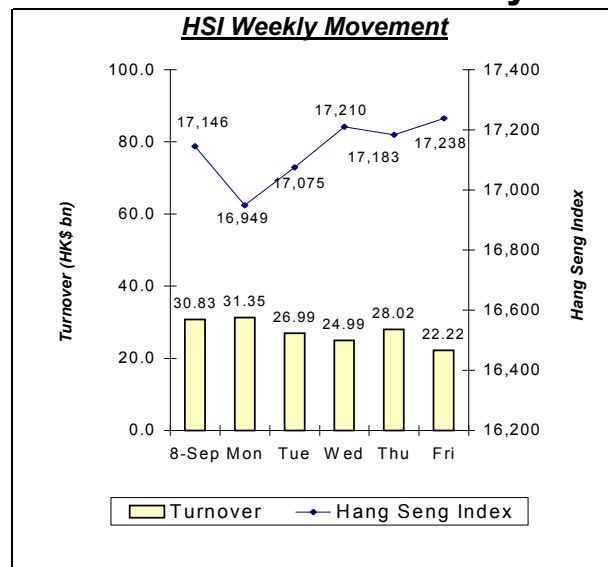
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**Weekly Report**16<sup>th</sup> September 2006**HSI stays above 17,000 level**

<b>Weekly Market Statistics</b>				
Week ended	15/9/2006	8/9/2006	Change	%
Hang Seng Index	17,238	17,146	92	+0.5%
HS Red Chip Index	2,544	2,550	(6)	-0.2%
HS China Enterprises Index	6,905	6,953	(48)	-0.7%
HS Composite Index	2,293	2,289	4	+0.2%
HS HK Composite Index	2,246	2,230	16	+0.7%
HS Mainland Composite Index	2,384	2,396	(11)	-0.5%
S&P/HKEx GEM Index	1,096	1,135	(38)	-3.4%
Avg Daily Turnover (HK\$ bn)	26.7	29.1	(2)	-8.2%
<b>Sectoral Indices</b>				
Finance	29,726	29,452	275	+0.9%
Utilities	33,738	33,943	(205)	-0.6%
Properties	20,808	20,727	82	+0.4%
Comm & Ind	8,619	8,584	34	+0.4%

**Review & Outlook of Market Performance**

Hang Seng Index saw bargain hunting at below 17,000. The Index edged up 0.5% w-o-w to close at 17,238, driven by commercial and banking stocks. Average daily turnover was thin at HK\$26.7 billion, down from HK\$29.1 billion in the previous week.

Esprit Holdings reported a 16.4% y-o-y rise in net profit to HK\$3.737 billion for the year ended 30<sup>th</sup> June 2006. The Group also announced that Mr. Michael Ying would step down as Chairman of Esprit and Mr. Heinz Krogner, Group CEO, would take on the Chairman position in 2007. The fashion retailer surged 7.7% to HK\$70.25 over the week. SHK Properties reported a 10.9% y-o-y growth in net profit to HK\$19.85 billion for FY06. The property giant gained 0.4% to HK\$84.75 over the week. PCCW reported a 2.4% y-o-y decline in net profit to HK\$1.07 billion for 1H06 on widening loss from NOW TV and SUNDAY mobile. PCCW lost 0.2% to HK\$4.9 over the week. Meanwhile, Li & Fung raised HK\$2.72 billion for future possible acquisition from a share placement. The counter dropped 0.6% at HK\$17.9 over the week.

HSCEI lagged behind with a 0.7% w-o-w decline to 6,905 as dragged by weak performance of commodities stocks. Latest China economic figures indicated the latest round of tightening measures has started cooling off the economy. Fixed-asset investment grew 21.5% y-o-y in August 06, much slower than July's 27.4%. Bank of Communications appointed its vice president, Li Jun, as the new president as part of an executive reshuffle at the country's state-owned banks. Investors welcomed the appointment as the Bank rose 1.6% at HK\$5.04 w-o-w. Meanwhile, mega IPO China Merchants Bank received overwhelming response, with 266 times and 35 times oversubscribed for retail and institutional portion respectively.

With decent corporate results, peaking US rate, and less uncertainty from China's austerity measures, Hang Seng Index has shown a near term technical support at 17,000. However, we see the HSI to trade within a narrow range next week as the IPO of China Merchants Bank (3968), Beijing Jingkelong (8245) and Jutal Offshore Oil Services (3303) have locked up billions of dollars till the end of next week. The focus next week will be the debut trading of China Merchants Bank on next Friday, 22 September 2006.

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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							
15th September	11,560.77	2,235.59	15,866.93	2,521.91	958.99	700.61	6,681.09
8th September	11,392.11	2,165.79	16,080.46	2,510.24	956.70	692.46	6,693.11
Change	+168.66	+69.80	-213.53	+11.67	+2.29	+8.15	-12.02
%	+1.5%	+3.2%	-1.3%	+0.5%	+0.2%	+1.2%	-0.2%

**Major Changes in Index Constituent Stocks (Week ended 15<sup>th</sup> September 2006)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @15/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Yue Yuen Industrials	0551	HK\$23.7	+HK\$1.7	+7.73%	This industrial giant was the strongest blue chips this week. Investors bet for possible softening commodities prices being favourable to industrial stocks.
Bank of East Asia	0023	HK\$35.45	+HK\$1.55	+4.57%	Banking stocks performed strongly this week amid a more benign rate outlook.

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

Stock	Stock Code	Closing Price @15/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$3.32	+HK\$0.31	+10.3%	Softening oil prices favoured investment sentiment towards this airline. Also, investors have a positive view on its recently announced interim results.
Weiqiao Textile	2698	HK\$9.62	+HK\$0.89	+10.19%	The Company reported a 27.3% increase in 1H06 net profit to RMB 600 million. Investors had a strong reaction to the decent results as its stock price has been severely oversold this year.

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

Stock	Stock Code	Closing Price @15/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (HK)	0135	HK\$4.03	-HK\$0.55	-12.01%	Despite reporting 59% leap in 1H06 net profits to RMB1.16 billion, profit taking emerged amid softening oil prices.

**Summary of US Economic News**

Indicator	Change/ Index	Comments
Trade Balance – Jul	- US\$68 billion	The trade deficit deteriorated from US\$64.8 billion in the previous month and was larger than expectations of US\$65.5.
Advance Retail Sales (m-o-m)–Aug	+0.2%	The retail sales growth deteriorated from 1.4% in the prior month, but was better than expectations of –0.2%.
Initial jobless claims – week ended 10 <sup>th</sup> September	+308k	The initial jobless claims stayed roughly in line with +310k in the prior week.
CPI (m-o-m) – Aug	+0.2%	The Labour Department announced a timid 0.2% increase in both the overall CPT and the core CPI, excluding the food and energy, in line with market expectation and relieving concerns about inflation.
Industrial Production – Aug	-0.1%	The industrial output fell unexpectedly by 0.1% in August.

**Forthcoming Important Announcements / Events**

18 <sup>th</sup> September 2006 (Monday)	HK	:	<b>Regal Hotels International (0078) – interim results</b> <b>Sino Land (0083) – final results</b> Fong's Industries (0641) – interim results
	US	:	Current account balance – 2Q
19 <sup>th</sup> September 2006 (Tuesday)	HK	:	<b>China Merchants (0144) – interim results</b> Luks Industrial (0366) – interim results Hopefluent (0733) – interim results <b>Unemployment Rate – Aug</b>
	US	:	Oracle – Q1FY07 results Producer Price Index – Aug Housing Starts – Aug
20 <sup>th</sup> September 2006 (Wednesday)	HK	:	<b>Great Eagle Holdings (0041) – interim results</b> SMIC (0981) – interim results Xinao Gas Holdings (2688) – interim results Nine Dragons Paper Ltd. (2689) – final results
	US	:	<b>Morgan Stanley – Q3FY06 results</b>
21 <sup>st</sup> September 2006 (Thursday)	HK	:	<b>Henderson Land Development (0012) – final results</b> Henderson Investment (0097) – final results Global Bio-Chem (0809) – interim results Sinopec Kantons Holdings (0934) – interim results
	US	:	<b>FOMC Meeting</b> Leading indicators – Aug Initial jobless claims – week ended 17 <sup>th</sup> September 2006
22 <sup>nd</sup> September 2006 (Friday)	HK	:	Brilliance China Auto Holdings (1114) – interim results Haier Electronics Group (1169) – interim results Consumer Price Index – Aug
	US	:	No important events/announcements

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