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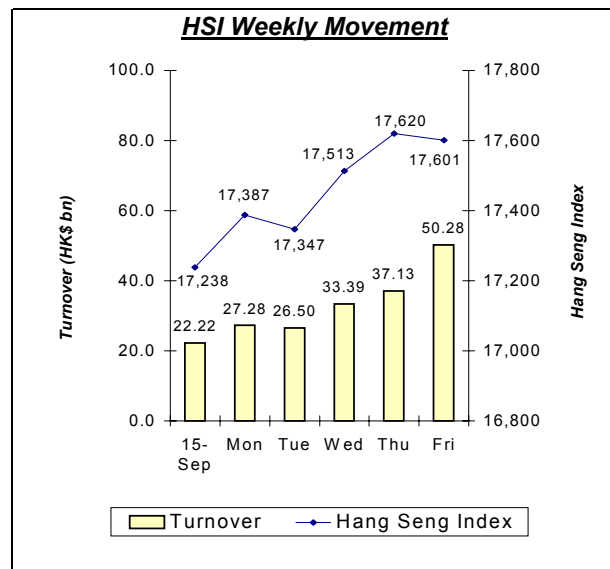
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report23rd September 2006**HSI set to test further six-years high**

Weekly Market Statistics				
Week ended	22/9/2006	15/9/2006	Change	%
Hang Seng Index	17,601	17,238	363	+2.1%
HS Red Chip Index	2,659	2,544	115	+4.5%
HS China Enterprises Index	7,106	6,905	201	+2.9%
HS Composite Index	2,341	2,293	48	+2.1%
HS HK Composite Index	2,271	2,246	25	+1.1%
HS Mainland Composite Index	2,463	2,384	78	+3.3%
S&P/HKEx GEM Index	1,104	1,096	8	+0.7%
Avg Daily Turnover (HK\$ bn)	34.9	26.7	8	+30.8%
Sectoral Indices				
Finance	30,018	29,726	292	+1.0%
Utilities	33,520	33,738	(218)	-0.6%
Properties	21,083	20,808	275	+1.3%
Comm & Ind	8,915	8,619	297	+3.4%

Review & Outlook of Market Performance

The Hang Seng Index continued its bull run amid a benign rate outlook and bullish sentiment arising from mega-IPOs. The military coup in Thailand further drove funds into the Hong Kong stock market as a shelter port. Climbing to another new six-year high, the Hang Seng Index gained 2.1% over the week to 17,601. The rally is underpinned by strong average daily turnover of HK\$34.9 billion, up 30.8% w-o-w.

China Mobile, up 7.33% w-o-w at HK\$55.65, remained the leader of the rally. The mobile giant's latest subscriber figures indicated further market share expansion. Michael Ying, the chairman of Esprit who planned to step down by the end of this year, announced to sold HK\$5.9 billion worth of Esprit shares after the fashion retailer saw a historical high at HK\$72 on Thursday. Over the week, Esprit lost 0.5% at HK\$69.9 on liquidity pressure upon the share placement. Sino Land reported a better-than-expected 91% y-o-y surged in underlying profit (excluding revaluation gains) of HK\$4.73 billion, thanks to robust property sales. The property developer advanced 3.98% at HK\$13.6 over the week.

Boosted by financial stocks, the HSCEI reversed its recent lagged performance, up 2.9% w-o-w at 7,106. China Life and Ping An Insurance surged 11.58% and 9.33% w-o-w, at HK\$16 and HK\$28.7 respectively, as investors bet on further favourable policy. Commodities stocks stayed lagged behind amid softening commodities prices. PetroChina lost 0.96% at HK\$8.29 over the week. Meanwhile, Guangzhou R&F Properties raised HK\$1.64 billion through share placement for land bank acquisition. The property developer only edged up 0.13% w-o-w at HK\$39.95. On the IPO front, China Merchants Bank closed at HK\$10.68 on its debut last Friday, 25% above its IPO price of HK\$8.55.

After the reporting season had delivered encouraging earnings, both the HSI and HSCEI eventually broke through their respective technical resistances at 17,500 and 7,050 respectively. Technically speaking, the Hong Kong stock market may have started another up-trend. We expect Hong Kong stock market to climb further up this week on bullish sentiment. The Hang Seng Index is well on-track to challenge its year-end target of 18,000.

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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	*	*					
22nd September	11,533.23	2,237.75	15,634.67	2,520.50	965.23	681.71	6,885.60
15th September	11,560.77	2,235.59	15,866.93	2,521.91	958.99	700.61	6,681.09
Change	-27.54	+2.16	-232.26	-1.41	+6.24	-18.90	+204.51
%	-0.2%	+0.1%	-1.5%	-0.1%	+0.7%	-2.7%	+3.1%

* As at 21st September 2006

Major Changes in Index Constituent Stocks (Week ended 22nd September 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
HKEX	0388	HK\$57.85	+HK\$2.75	+4.99%	The momentum of the stock exchange gathered up as investment sentiment turned bullish.
Foxconn International	2038	HK\$24.95	+HK\$1.05	+4.39%	Softening commodities prices favoured industrial stocks as margin pressure would be eased.
COSCO Pacific	1199	HK\$15.54	-HK\$0.80	-4.90%	Analyst downgraded earning forecast upon its earlier disappointing 1H06 results, which saw a 36.5% y-o-y decline at US\$136 million.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	HK\$2.74	+HK\$0.19	+7.45%	The steel manufacturer surged strongly as investors bet the iron ore cost pressure had peaked.
Zijin Mining	2899	HK\$3.87	+HK\$0.20	+5.45%	The gold miner rebounded as gold price had stabilized at around US\$580/oz.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/9/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Tianjin Development	0882	HK\$4.54	-HK\$0.31	-6.39%	The conglomerate let investors down by announcing a 27% y-o-y drop in net profit for 1H06 to HK\$293 million.

**Summary of US Economic News**

Indicator	Change/ Index	Comments
Current Account Balance – 2Q	- US\$218.4 billion	The current account balance widened from a revised US\$213.2 billion in the prior month, and was larger than expectations of US\$214 billion.
Producer Price Index (MoM) - Aug	+0.1%	The PPI was in line with the prior month, but was smaller than expectations of +0.3%.
Core Producer Price Index (MoM) - Aug	-0.4%	The Core PPI decline was wider than 0.3% drop in the prior month, indicating alleviating inflationary pressure.
Housing starts - Aug	1,665k	The housing starts slowed from a revised 1,772k in the prior month, which was lower than expectations of 1,746k. This figure further confirmed a slowing housing market in the US.
Initial jobless claims – week ended 17 th September	318k	The figure was higher than expected and 311k in the previous week, indicating slight deterioration in employment conditions.
Leading indicators - Aug	-0.2%	The decline was in-line with expectations, and widened a bit from -0.1% in the previous month.

Forthcoming Important Announcements / Events

25 th September 2006 (Monday)	HK	:	Glorious Sun Enterprise (0393) – interim results First Natural Food Holdings (1076) – interim results External trade – August
	US	:	Existing Home Sales – August
26 th September 2006 (Tuesday)	HK	:	PANVA Gas (1083) – interim results Sinolink Worldwide (1168) – interim results
	US	:	Consumer Confidence – September
27 th September 2006 (Wednesday)	HK	:	No important news/announcement
	US	:	Durable Goods Orders – August New Home Sales – August
28 th September 2006 (Thursday)	HK	:	No important news/announcement
	US	:	GDP – 2Q Initial Jobless claims – week ended 24 th September
29 th September 2006 (Friday)	HK	:	No important news/announcement
	US	:	Personal income – August Personal spending – August PCE deflator – August University of Michigan Confidence – September Chicago Purchasing Manager Index – September

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