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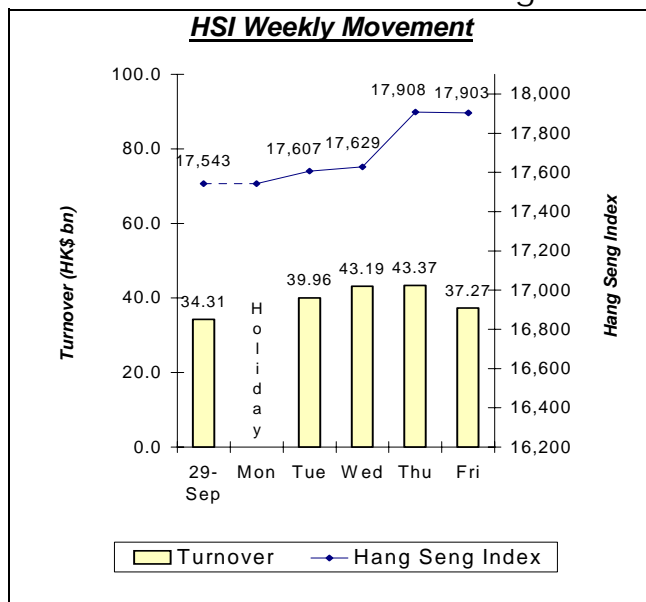
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Weekly Report

6th October 2006

Record-setting HSBC lifts HSI above 17,900



Weekly Market Statistics				
Week ended	06/10/2006	29/9/2006	Change	%
Hang Seng Index	17,903	17,543	360	+2.1%
HS Red Chip Index	2,710	2,650	60	+2.3%
HS China Enterprises Index	7,129	7,097	32	+0.4%
HS Composite Index	2,376	2,335	40	+1.7%
HS HK Composite Index	2,304	2,266	38	+1.7%
HS Mainland Composite Index	2,500	2,456	44	+1.8%
S&P/HKEx GEM Index	1,116	1,103	13	+1.2%
Avg Daily Turnover (HK\$ bn)	40.9	34.3	7	+19.4%
Sectoral Indices				
Finance	30,900	30,107	792	+2.6%
Utilities	33,117	33,061	56	+0.2%
Properties	21,070	20,809	262	+1.3%
Comm & Ind	9,053	8,875	178	+2.0%

Review & Outlook of Market Performance

Sentiment in the local equities market remained positive during the week, thanks to a strong US stock market as the US Dow kept hitting new record highs amid falling crude oil prices. Hang Seng Index rose 360 points or 2.05% to a fresh six-year high at 17,903.39. Average daily turnover rose to HK\$40.9 billion, up from HK\$34.3 billion in the previous week.

The strong run of HK equities extended into October, supported by rally in heavyweights HSBC Holdings and China Mobile. HSBC hit a record high at HK\$146.3 on heavy trading volume, as analysts expected peaking interest rate and a strong labour market in the US should improve its credit quality. Meanwhile, buying interests in China Mobile persisted, braced by good progress in exploring new business in rural areas. Over the week, HSBC rose 2.81%, while China Mobile gained 4.45%. Among the laggards, CNOOC slipped 2.93% w-o-w amid falling oil prices, while bargain hunting lifted Hutchison up by 0.94%.

HSCEI was marginally higher over the week, as sluggish performance of bellwether PetroChina offset gains in Mainland banking plays. PetroChina fell by 1.79% w-o-w, as crude oil prices lost steam. Meanwhile, Mainland banks were generally higher, awaiting the gigantic share offering of Industrial and Commercial Bank of China (ICBC). Other H shares were mixed, with power producers outperforming and oil plays being the laggards. Air China topped all gainers in the H-share index with a 6.55% jump, as analysts expect a strong third-quarter result given a high passenger load factor.

Bearish investors were caught in surprise, as overall market sentiment stayed sound and outperformers continued their winning streak in hitting new record highs, despite fear that the upcoming share offering of ICBC may withdraw market liquidity and trigger a market correction. The impact seems to have factored in, as it should be no rush for ICBC's IPO shares due to availability of alternative investment options like China Construction Bank and Bank of China. Any market dip should provide investors with a good buying opportunity, as we see no reason for a quick market "U-turn" given robust fundamentals and undemanding valuations of HK equities.

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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							
6th October	11,866.69	2,306.34	16,436.06	2,649.30	970.98	694.60	6,997.24
29th September	11,718.45	2,270.02	16,127.58	2,568.86	967.55	686.10	6,883.05
Change	+148.24	+36.32	+308.48	+80.44	+3.43	+8.50	+114.19
%	+1.3%	+1.6%	+1.9%	+3.1%	+0.4%	+1.2%	+1.7%

Remark (*): closing as of 5th October 2006

Major Changes in Index Constituent Stocks (Week ended 6th October 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @6/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$20.85	+HK\$1.49	+7.70%	Shares of Li & Fung surged after the trading company said to acquire the sourcing arm of German-listed KarstadtQuelle AG for 60 million euros, which should strengthen the company's business presence in Europe.
CNOOC	0883	HK\$6.29	-HK\$0.19	-2.93%	CNOOC fell amid dropping crude oil prices. NYMEX spot-month light crude oil prices touched levels below US\$58 per barrel during the week, as figures showed energy inventory built up in the US.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @6/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Shanghai Petrochemical	0338	HK\$3.26	-HK\$0.62	-15.98%	Shares of Shanghai Petrochemical slumped, after its parent Sinopec (HKEx: 0386) said to carry out share reform in Shanghai Petrochemical and Yizheng Chemical Fibre (HKEx: 1033), dashing hope for a widely expected privatization.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @6/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Power	0836	HK\$8.36	+HK\$0.00	+0.00%	An institutional investor placed 113 million CR Power shares at HK\$8 each, raising as much as HK\$926.6 million. The share placement accounted for about 3% of the company's issued share capital.

Summary of US Economic News

Indicator	Change/In dex	Comments
ISM manufacturing index – September	52.9	ISM manufacturing index fell to 52.9 in September from 54.5 in August, lower than forecast of 53.5.
Factory orders – August	+0.0%	New factory orders was flat in August, slightly better than market expectations of a 0.2% drop, as surge in transport equipment and defence orders offset drop in electrical equipment and computer orders.
Construction spending – August	+0.3%	Construction spending surged 0.3% in August, as commercial and public building offset decline in home building. The gain was in contrast to market expectations of a 0.3% drop.
ISM non-manufacturing index – September	52.9	The ISM non-manufacturing index tumbled to 52.9 in September from 57.0 in August, worse than consensus forecast of 56.0. It showed that growth in the US service sector turned weaker last month.
Initial jobless claims – the week ended 30 th September 2006	-17,000	Initial jobless claims fell 17,000 last week to 302,000 from an upwardly revised 319,000 in the previous week. The figure was much lower than consensus forecast of 315,000.

Forthcoming Important Announcements / Events

9 th October 2006 (Monday)	HK	:	NWS Holdings (0659) – final results
	US	:	No important event/announcement
10 th October 2006 (Tuesday)	HK	:	New World China (0917) – final results New World Development (0017) – final results NW Mobile (0862) – final results
	US	:	Wholesale inventory – August 2006 Alcoa Inc – Q3 2006 results
11 th October 2006 (Wednesday)	HK	:	Daqing Petrochemical (0362) – final results
	US	:	FOMC minutes – 20th September 2006
12 th October 2006 (Thursday)	HK	:	First Sign International (0933) – final results
	US	:	Initial jobless claims – week ended 7 th October 2006 Trade balance – August 2006 Fed's Beige Book PepsiCo – Q3 2006 results
13 th October 2006 (Friday)	HK	:	Benefun International (1130) – final results Smart Rich (1051) – final results
	US	:	Retail sales - September 2006 Import and Export prices – September 2006 Consumer sentiments – October 2006 Business inventory – August 2006

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