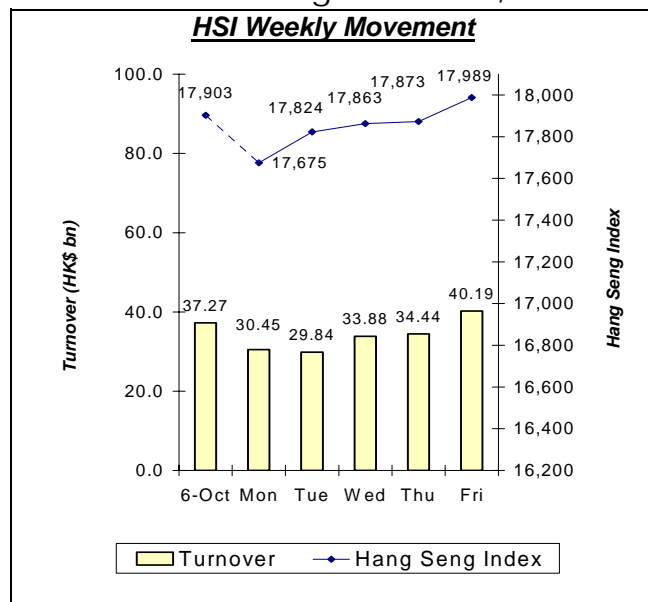


HSI challenged the 18,000-mark reaching another six-year high



Weekly Market Statistics				
Week ended	13/10/2006	06/10/2006	Change	%
Hang Seng Index	17,989	17,903	85	+0.5%
HS Red Chip Index	2,746	2,710	37	+1.4%
HS China Enterprises Index	7,330	7,129	201	+2.8%
HS Composite Index	2,398	2,376	22	+0.9%
HS HK Composite Index	2,300	2,304	(3)	-0.1%
HS Mainland Composite Index	2,555	2,500	56	+2.2%
S&P/HKEx GEM Index	1,112	1,116	(4)	-0.3%
Avg Daily Turnover (HK\$ bn)	33.8	33.8	(0)	-0.1%
Sectoral Indices				
Finance	31,060	30,900	161	+0.5%
Utilities	33,219	33,117	102	+0.3%
Properties	20,848	21,070	(222)	-1.1%
Comm & Ind	9,125	9,053	73	+0.8%

Review & Outlook of Market Performance

Hang Seng Index started off the week with a 228 points decline on Monday after North Korea conducted an underground nuclear test. The shock was short-lived as the loss was quickly recovered on Tuesday when HSI gained back 148 points. The 2006 Policy Address announced on Wednesday exerted limited impact on the local stock market. Overall, sentiment in local equities market remained positive, thanks to falling crude oil prices and a strong US equities market. HSI ended the week at 17,988.86, a 85.47-point (+0.48%) w-o-w increase, after reaching a six-year high of 18,067.58 on Friday following the path of Dow Jones Industrial Average at its record high. Average daily turnover was HK\$33.8 billion, similar to that in the previous week. The strong performance of HSI was supported by HSBC (0005.HK) at HK\$146.5 after reaching its record high of HK\$147.3, and China Mobile (0941.HK) closing at HK\$58.25 (+1.3% w-o-w). China Unicom (0762.HK) rose by 3.37% w-o-w at HK\$8.28. Among the laggards, Li & Fung (0494.HK) slipped 3.12% w-o-w while COSCO Pacific (1199.HK) slipped 3.01% w-o-w.

HSCEI rose 2.82% over the week driven by Chinese banks and commodity stocks. The Industrial and Commercial Bank of China (ICBC) received strong interests during its international roadshow. The final price range will be announced next Monday. In anticipation to the ICBC's at least US\$19 billion mega IPO, Chinese banking stocks have already leaped forward. China Construction Bank (0939.HK) topped all gainers among the Chinese banks with a 5.46% w-o-w jump at HK\$3.67, while BoCom (3328.HK) came in second with a 3.36% jump at HK\$5.85. Angang Steel (0347.HK) rose 11.62% w-o-w at HK\$7.30 while Jiangxi Copper jumped 11.72% w-o-w at HK\$8.10.

Looking forward into next week, near-term profit taking and consolidation may be on the way after the recent rally. The market will keep an eye on US corporate earnings and ICBC's IPO next week. We see the HSI to consolidate at 17,850 before re-testing the 18,000 points again.

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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							
13th October	11,947.70	2,346.18	16,536.54	2,668.68	983.54	712.05	7,068.80
6th October	11,850.21	2,299.99	16,436.06	2,649.30	970.98	694.60	6,997.24*
Change	+97.49	+46.19	+100.48	+19.38	+12.56	+17.45	+71.56
%	+0.8%	+2.0%	+0.6%	+0.7%	+1.3%	+2.5%	+1.0%

Remark (^): closing as of 12th October 2006

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

Major Changes in Index Constituent Stocks (Week ended 13th October 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Cathay Pacific	0293	HK\$16.92	+HK\$0.18	+1.08%	Cathay Pacific jumped to its highest level (HK\$17.34) in more than six years amid falling oil prices. Oil prices for one-month delivery on the New York Mercantile Exchange touched US\$58.60 during the week.
China Construction Bank	0939	HK\$3.67	+HK\$0.19	5.46%	CCB rallied 5.46% w-o-w and was the best performing blue chip over the week.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @13/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang	0347	HK\$7.30	+HK\$0.76	+11.62%	China's steel companies have lifted the November steel prices by 1-6%, a reversion of price cut in late August. Spot steel prices (both long and flat) have recovered by about 2-3% in the past two months.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @13/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
COFCO	0506	HK\$6.56	+HK\$1.11	+20.37%	Shares of COFCO surged after it said to buy HK\$5.3 billion worth of business such as Coca-Cola bottling and wine-making from its immediate parent firm, Cofco (HK), and will spin off its agri-business on the Hong Kong exchange

Summary of US Economic News

Indicator	Change/ Index	Comments
Wholesale inventory – August 2006	1.1%	Wholesale inventory increased to 1.1% in August from 0.8% in July, higher than market forecast of 0.6%.
Initial jobless claims – week ended 7 th October 2006	308,000	Initial jobless claims went up 4,000 to 308,000, matching the expectation of 310,000.
FOMC minutes – 20 th September 2006	N.A.	The FOMC Minutes indicated that "real GDP growth would continue to slow into the 2H 2006," which provides evidence the Fed will remain on hold, "before strengthening gradually". The minutes showed that a slowing economy and falling energy prices guided its decision to hold interest rates steady.
Treasury Budget 2006	US\$247.7 billion budget deficit	The federal budget deficit fell to about US\$247.7 billion in 2006, just ended from US\$319 billion in 2005, its lowest level in four years.
Trade Balance – August 2006	US\$70 billion trade deficit	The trade deficit jumped to nearly US\$70 billion in August, higher than market forecast of US\$66.5 billion.

Forthcoming Important Announcements / Events

16 th October 2006 (Monday)	HK US	: :	Guo Xin Group (1215) – final results No important event/announcement
17 th October 2006 (Tuesday)	HK US	: :	Applied International (0519) – final results Producer Price Index – September 2006 Industrial Production – September 2006 NAHB-WF Housing Market Index – October 2006 IBM – Q3 2006 results Johnson & Johnson – Q3 2006 results Merrill Lynch – Q3 2006 results Motorola, Inc – Q3 2006 results Yahoo, Inc – Q3 2006 results
18 th October 2006 (Wednesday)	HK US	: :	Fittec International (2662) – final results Consumer Price Index – September 2006 Housing Starts – September 2006 Apple Computer, Inc – Q3 2006 results J.P. Morgan Chase & Co – Q3 2006 results
19 th October 2006 (Thursday)	HK US	: :	Sinotronics (1195) – final results Universe International (1046) – final results Jobless Claims – week ended 14 October 2006 Leading Indicators – September 2006 Bank of America – Q3 2006 results Coca-Cola Company – Q3 2006 results Google, Inc – Q3 2006 results
20 th October 2006 (Friday)	HK US	: :	Composite CPI – September 2006 Oriental Press (0018) – interim results SEE Corporation (0491) – final results Chaoda Modern Agricultural (0682) – final results TCL Multimedia (1070) – 3Q06 results TCL Communication Technology (2618) – 3Q06 results 3M Company – Q3 2006 results

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