

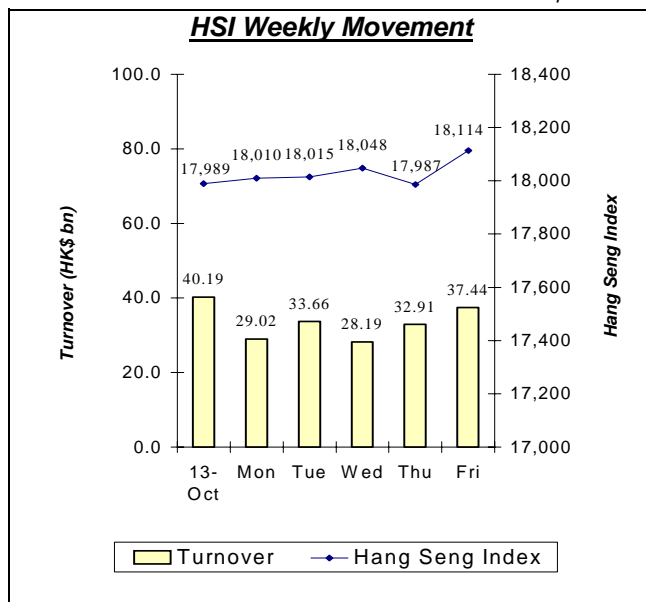
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Weekly Report20th October 2006**HSI closed above 18,000 ahead of the FOMC meeting**

Weekly Market Statistics				
Week ended	20/10/2006	13/10/2006	Change	%
Hang Seng Index	18,114	17,989	125	+0.7%
HS Red Chip Index	2,798	2,746	52	+1.9%
HS China Enterprises Index	7,512	7,330	182	+2.5%
HS Composite Index	2,424	2,398	26	+1.1%
HS HK Composite Index	2,316	2,300	16	+0.7%
HS Mainland Composite Index	2,595	2,555	40	+1.6%
S&P/HKEx GEM Index	1,134	1,112	22	+2.0%
Avg Daily Turnover (HK\$ bn)	32.2	33.8	(2)	-4.5%
Sectoral Indices				
Finance	31,243	31,060	183	+0.6%
Utilities	33,141	33,219	(78)	-0.2%
Properties	21,049	20,848	201	+1.0%
Comm & Ind	9,199	9,125	74	+0.8%

Review & Outlook of Market Performance

HSI mainly swung around 18,000 during the week, amid the gigantic IPO of ICBC. It was reported that the IPO of ICBC H-share portion drew retail orders totalling HK\$420 billion, while its international placing attracted a record US\$350 billion equivalent of orders. Follow through buying were seen on Friday, as selling pressure from profit-takers is seen limited despite approaching the record high set in 2000. Over the week, the HSI gained 125 points or 0.7% to a fresh six-year high at 18,113.55. Average daily turnover dropped a bit to HK\$32.2 billion from HK\$33.8 billion in the previous week.

Despite setting a fresh six-year high, blue chips indeed ended mixed with 20 ups and 14 downs. China Resources Enterprises topped all gainers amongst the HSI constituents, after the conglomerate said to sell non-core assets to its parent and plan a special dividend of HK\$1 each upon the completion of the deal. The stock rose a sharp 9.65% w-o-w. Meanwhile, mainland fixed-line network operator China Netcom stood at the bottom of the ladder, as its 3Q earnings and subscriber number failed to impress investors.

H shares drew market attentions, as Chinese enterprises are due to release their 3Q 2006 results. Commodity plays were among the winners, after Jiangxi Copper reported a solid 3Q06 result. The copper producer posted a three-fold jump in earnings during the first three quarters, which helped lift Jiangxi Copper up 6.91% w-o-w. Gold miner Zijin Mining also gathered pace and closed up a sharp 21.61% w-o-w. Meanwhile, China said its GDP growth slowed to 10.4% y-o-y in 3Q06 from 11.3% in 2Q06, alleviating fear for further austerity measures. Mainland property developers rose after the news, with R&F Properties up 12.52% w-o-w. In fact, the HSCEI increased 2.49% during the week and surpassed the previous nine-year high that set in May this year.

Next week, interest rates should be the market focus as the US Fed will hold its two-day FOMC meeting beginning next Tuesday 24th Oct 2006. According to the latest market poll, the market is expecting the Fed to keep rates unchanged after the Meeting. For the coming week, the HSI is expected to regain steam and test its all-time high at 18,397.57, if the Fed matches expectations in keeping rates unchanged.

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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							
20th October	12,011.73*	2,340.94*	16,651.63	2,686.43	979.19	724.98	7,039.37
13th October	11,960.51	2,357.29	16,536.54	2,668.68	983.54	712.05	7,068.80
Change	+51.22	-16.35	+115.09	+17.75	-4.35	+12.93	-29.43
%	+0.4%	-0.7%	+0.7%	+0.7%	-0.4%	+1.8%	-0.4%

Remark (*): closing as of 19th October 2006

Major Changes in Index Constituent Stocks (Week ended 20th October 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @20/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Enterprise	0291	HK\$18.18	+HK\$1.60	+9.65%	CRE said it would sell its non-core assets, including piped gas, chemical distributions and petroleum-related businesses, to its parent company for HK\$2.78 billion. The conglomerate also revealed that it plans to pay a special dividend of HK\$1 per share upon the completion of the deal.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
R&F Properties	2777	HK\$11.50	+HK\$1.28	+12.52%	Latest figures showed the Mainland's GDP growth eased to 10.4% in 3Q06, down from 11.3% in 2Q06, lessening the fear for another round of austerity measures to cool down the fast-growing economy, which helped boost share prices amongst Mainland property plays.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @20/10/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance International Holdings	0966	HK\$7.20	+HK\$0.88	+13.92%	CIH said accumulated premium income of its 50.5%-owned Tai Ping Life Insurance totalled RMB8.6 billion in the first nine months this year, up 75% y-o-y.

Summary of US Economic News

Indicator	Change/In dex	Comments
Industrial production – September	-0.6%	Industrial output fell 0.6% in September, weaker than consensus forecast of a flat output last month. Utilisation rate fell to 81.9% in Sep from 82.5% in Aug, also lower than market expectation of 82.2%.
Consumer price index – September	-0.5%	Consumer prices fell 0.5% in September. Excluding volatile food and energy prices, the core CPI rose 0.2% in Sep, matching market expectations.
Housing starts – September	+5.9%	Housing starts surged to an annual rate of 1.772 million units in September from 1.674 million units in August, higher than consensus forecast of a drop to 1.665 million units.
Index of leading indicators	137.7	Leading economic indicators rose 0.1% in September, lower than market expectations of a 0.3% rise.
Initial jobless claims – the week ended 14 th October 2006	-10,000	Initial jobless claims fell 10,000 last week to 299,000 from 309,000 in the previous week. The figure bucked consensus forecast, which had expected a slight rise to 312,000.

Forthcoming Important Announcements / Events

23 rd October 2006 (Monday)	HK	:	Champion Tech (0092) – final results Kantone Holding (1059) – final results
	US	:	Alcon Inc. – 3Q 2006 results American Express Company – 3Q 2006 results Texas Instruments – 3Q 2006 results Xerox Corporation – 3Q 2006 results
24 th October 2006 (Tuesday)	HK	:	China Agrotech (1073) – final results CLP Holdings (0002) – 3rd quarter dividend
	US	:	Amazon.com, Inc. – Q3 2006 results Phelps Dodge – Q3 2006 results
25 th October 2006 (Wednesday)	HK	:	G China Tech (0431) – final results
	US	:	FOMC meeting policy statement Existing home sales – September 2006 Boeing Co – Q3 2006 results DaimlerChrysler – Q3 2006 results General Motors – Q3 2006 results
26 th October 2006 (Thursday)	HK	:	External trade – September 2006
	US	:	New orders for durable goods – September 2006 Initial jobless claims – week ended 21 st October 2006 New home sales – September 2006 Microsoft Corp – Q1 FY2006/07 results Sun Microsystems – Q1 FY2006/07 results
27 th October 2006 (Friday)	HK	:	Sandmartin International (0482) – final results
	US	:	GDP (advanced) – Q3 2006 Consumer sentiments (revised) – October 2006 Chevron – Q3 2006 results

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