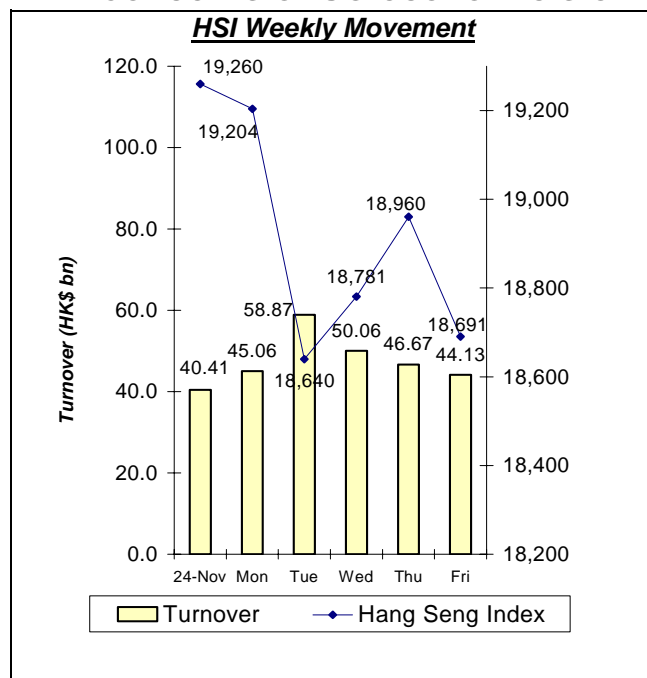


Concerns of US economic slowdown triggered a sharp correction



Weekly Market Statistics				
Week ended	01/12/2006	24/11/2006	Change	%
Hang Seng Index	18,691	19,260	-569	-3.0%
HS Red Chip Index	3,024	3,148	-124	-3.9%
HS China Enterprises Index	8,567	8,591	-24	-0.3%
HS Composite Index	2,564	2,618	-54	-2.1%
HS HK Composite Index	2,356	2,390	-35	-1.5%
HS Mainland Composite Index	2,864	2,944	-79	-2.7%
S&P/HSEx GEM Index	1,197	1,174	+24	+2.0%
Avg Daily Turnover (HK\$ bn)	49.0	47.6	+1	+2.9%
Sectoral Indices				
Finance	31,316	31,893	-578	-1.8%
Utilities	33,084	33,466	-382	-1.1%
Properties	21,631	22,348	-717	-3.2%
Comm & Ind	9,733	10,124	-391	-3.9%

Review & Outlook of Market Performance

The local bourse began the week with a relatively moderate drop before plunging over 500 points on Tuesday amid the sharp fall in the US stock market after Wal-Mart made a disappointing sales forecast. Fears of faster-than-expected slowdown in the US economy and the resurgence of crude oil prices hurt the sentiment. The drop in the local bourse was considered as a long-awaited healthy correction after the recent sharp rally. Mainland financial stocks and property stocks were hit the biggest. Amid the mixed results from the city's first major land auction in the fiscal year on Tuesday, local property stocks also took a sharp correction and failed to get the widely-expected bounce. However, the local market kept on rebounding in the following 2 days as investors came back for bargain hunting. Over the week, the HSI lost 569 points or 3.0% to close at 18,690.82. Average daily turnover was HK\$49.0 billion, which was slightly higher than last week's HK\$47.6 billion.

Investors sold off the local property stocks after the land auction. The HSI Properties sub-index dropped 3.2% w-o-w with Cheung Kong dropped 4.25% w-o-w after it got the MaOnShan site. China Mobile (HK\$63.80, -5.90%) and HSBC (HK\$144.30, -1.23%) saw some selling-off as HSI is due for the reshuffle next week. Resources and construction materials stocks were the favourites for this week. Rebounding of oil prices benefited Sinopec (HK\$6.29, +2.28% w-o-w) and PetroChina (HK\$9.91, +2.38% w-o-w). There were signs showing that steel oversupply may have been peaked. Anhui Conch caught investors' attention, as construction materials prices have remained high. Mainland property stocks were not immune from the correction but most were able to regain the lost ground. Greentown China was the best of the peck (HK\$13.62, +10.73%). Mainland financial stocks were sold off during the correction. The recent gainers - ICBC (HK\$3.89, -4.89%), Bank of China (HK\$3.78, -2.83%) and CFIH (HK\$5.98, -5.38%) recorded a sharp decline. The H-share index ended the week down 0.3% w-o-w at 8,566.85.

Looking forward, market sentiment should remain healthy while the IPO frenzy keeps on. The HSI is scheduled to reshuffle under the index reform announced earlier; capping the maximum allowed weighting for any Hang Seng component at 15%. The HSI is expected to test its next support at 18,500 in the near term.

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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							
1st December	12,221.93*	2,431.77*	16,321.78	2,836.04	1,080.11	741.38	7,613.57
24th November	12,280.17	2,460.26	15,734.60	2,814.81	1,060.43	723.87	7,427.36
Change	-58.24	-28.49	+587.18	+21.23	+19.68	+17.51	+186.21
%	-0.5%	-1.2%	+3.7%	+0.8%	+1.9%	+2.4%	+2.5%

Remark (*): closing as of 30th November 2006

Major Changes in Index Constituent Stocks (Week ended 1st December 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @1/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
PCCW	0008	HK\$4.80	-HK\$0.38	-7.34%	Minority shareholders in Singapore-listed Pacific Century Regional Developments rejected the proposed sale of Richard Li's controlling 22.65% stake in the telecom giant at an extraordinary general meeting held this Thursday.
Foxconn International	2038	HK\$23.0	-HK\$1.10	-4.56%	The counter continued last week's correction amid concerns of inventory build-up and signs that BYD Co. (1211.HK) was encroaching on Foxconn's territory in supplying to Nokia. The market is cautious with the mobile handset industry outlook
China Mobile	0941	HK\$63.80	-HK\$4.00	-5.90%	Investors sold the counter off before its weighting is due to be diluted on next Monday's HSI reshuffle.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @1/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
Anhui Conch	0914	HK\$24.05	+HK\$3.75	+18.47%	The counter extended the recent sharp gains amid higher construction material prices over the past few months.
Angang Steel	0347	HK\$10.00	+HK\$0.61	+6.50%	China steel sector is showing improving signs from the current oversupply situation. Steel price is believed to rise moderately in 1H07.
Maanshan Iron	0323	HK\$3.95	+HK\$0.33	+9.12%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @1/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
China Insurance	0966	HK\$8.63	+HK\$0.83	+10.64%	The mainland financials stock continued the recent rally.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Confidence – Nov 2006	102.9	Consumer confidence index fell to 102.9 in November from a revised reading of 105.1 in October. November's figure was the lowest since August's 100.2 and well below economists' expectations of a 106 reading.
Existing Home Sales – Oct 2006	6.24 million	Existing Home Sales showed a surprise rise to 6.24 million units in October. This was the first increase since February.
GDP – Q3 2006	2.2%	The new figure was a considerable upgrade from the government's earlier estimate of a 1.6% growth rate. The main factors for the higher estimate were stronger inventories amassed by companies and a trade deficit that did not strain economic growth as much.
New Home Sales – Oct 2006	-3.2%	Sales of new homes fell in October by the largest amount in three months, a fresh sign of continued cooling in the once-sizzling housing sector. The new-home sales totaled 1.004 million at a seasonally adjusted annual rate, down 3.2% from September. That was the largest drop since July, when home sales plunged 9.2%.
Initial jobless claims – week ended 25 th Nov 2006	357,000	The number of US workers signing up for unemployment benefits rose by 34,000 to 357,000, higher than the forecast of 316,000. This was the biggest increase in more than a year.

Forthcoming Important Announcements / Events

4 th December 2006 (Monday)	HK	:	Johnson Electric (0179) – FY2006/07 interim results
	US	:	Vitasoy International (0345) – FY2006/07 interim results
5 th December 2006 (Tuesday)	US	:	No important announcement / event
	HK	:	Café de Coral (0341) – FY2006/07 interim results
6 th December 2006 (Wednesday)	US	:	Factory Orders – October 2006
	HK	:	Novell, Inc. – 4Q2006 results
7 th December 2006 (Thursday)	US	:	Kroger Co. – 3Q2006 results
	HK	:	HKR International (0480) – FY2006/07 interim results
8 th December 2006 (Friday)	US	:	Tai Cheung Holdings (0088) – FY2006/07 interim results
	HK	:	Initial jobless claims – week ended 2 nd December 2006
	US	:	Consumer Credit – October 2006
	HK	:	National Semiconductor Corp – Q2FY02007 results
	US	:	King Fook Holdings (0280) – FY2006/07 interim results
	HK	:	Chevalier International (0025) – FY2006/07 interim results
	US	:	Non-farm payrolls – November 2006
	HK	:	Unemployment rate – November 2006
	US	:	Hourly earnings – November 2006
	HK	:	

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