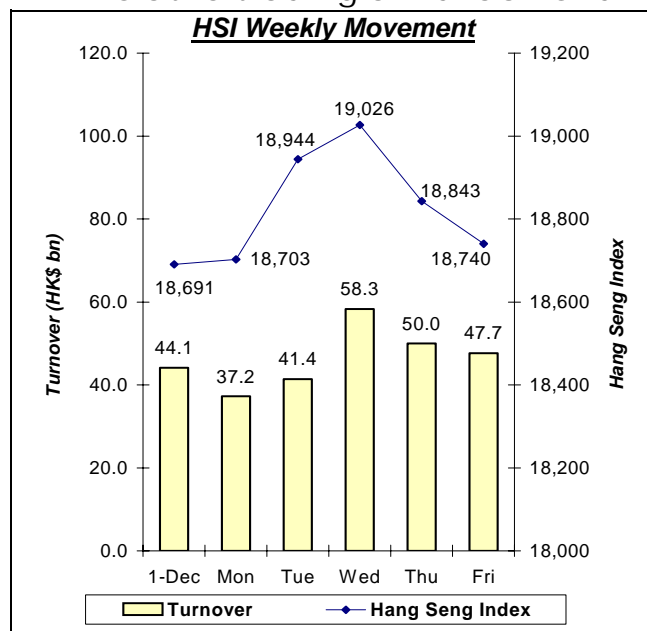


Volatile trading amid lack of direction ahead of the FOMC meeting



Weekly Market Statistics				
Week ended	08/12/2006	01/12/2006	Change	%
Hang Seng Index	18,740	18,691	+49	+0.3%
HS Red Chip Index	3,037	3,024	+13	+0.4%
HS China Enterprises Index	8,630	8,567	+64	+0.7%
HS Composite Index	2,580	2,564	+16	+0.6%
HS HK Composite Index	2,363	2,356	+8	+0.3%
HS Mainland Composite Index	2,891	2,864	+27	+1.0%
S&P/HKEx GEM Index	1,183	1,197	-14	-1.2%
Avg Daily Turnover (HK\$ bn)	46.9	49.0	-2	-4.2%
Sectoral Indices				
Finance	30,958	31,316	-357	-1.1%
Utilities	33,768	33,084	+684	+2.1%
Properties	21,971	21,631	+341	+1.6%
Comm & Ind	9,819	9,733	+86	+0.9%

Review & Outlook of Market Performance

The local bourse reversed last week's weak performance and returned to positive tone early this week as sentiment was buoyed by the better performance in overseas markets. In fact, trading was volatile amid a lack of direction ahead of next week's FOMC meeting. A share placement of China Mobile by China Everbright weighed on the counter while an alarming statement by HSBC (HK\$140.90, -2.4% w-o-w) on its US bad-debt situation dragged down its shares. Nevertheless, supported by gains in Hutchison and China Construction Bank (CCB), the HSI managed to finish the week in the positive territory and rose 49.17 points or 0.3% w-o-w to at 18,739.99. Average daily turnover dropped to HK\$46.9 billion from HK\$49.0 billion in the prior week.

Shares of mainland telecom operators were well bid this week on expectations that the 3G mobile-services licences will be issued in 1Q2007. China Netcom was the best performer among the four Hong Kong-listed mainland telecom operators, reaping in 11.5% during the week. Its fixed-line rival China Telecom jumped 3.4% to HK\$3.68 while China Unicom, which was the subject of rumours that it will be merged with China Netcom, rose 8.5%. Failing to mirror its peers' strong performance, China Mobile registered a 3.1% loss.

Meanwhile, mainly buoyed by the stellar performance of China Telecom and CCB, the H-share index ended the week up 0.7% w-o-w at 8,630.40.

A few companies had its debut trading this week, with focus on Zhaojin Gold Mining and China Communications Services (CCS). On their trading debut on Friday, gold miner Zhaojin closed 26% higher at HK\$15.98 against its issue price of HK\$12.68, while telecom support services provider CCS registered an eye-catching 85.5% jump to HK\$4.08 from its issue price of HK\$2.20.

Looking forward, market spotlight should inevitably fall on the FOMC meeting to be held next Tuesday, 12th December. The latest market poll expects the US Fed to keep interest rates steady for the fourth straight meetings. A few newcomers, including China Communications Construction and Shanghai Jin Jiang International Hotels, will make their trading debut next Friday. Lacking fresh leads in the local bourse, volatile trading would persist and the HSI is expected to see strong resistance at 19,000 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							
8th December	12,278.41*	2,427.69*	16,417.82	2,891.94	1,098.59	740.94	7,636.30
1st December	12,194.13	2,413.21	16,321.78	2,836.04	1,080.11	741.38	7,613.57
Change	+84.28	+14.48	+96.04	+55.90	+18.48	-0.44	+22.73
%	+0.7%	+0.6%	+0.6%	+2.0%	+1.7%	-0.1%	+0.3%

Remark (*): closing as of 7th December 2006

Major Changes in Index Constituent Stocks (Week ended 8th December 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @8/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Hutchison Whampoa	0013	HK\$75.25	+HK\$3.35	+4.7%	It was reported that private equity firms are considering an acquisition of the Indian wireless assets of the conglomerate's unit HTIL.
China Merchants	0144	HK\$30.25	+HK\$4.10	+15.7%	The port operator's 26.5%-owned Shanghai International Port (Group) said that Singapore port operator PSA and Danish group A.P. Moeller-Maersk may invest in Phase 3 of Shanghai's Yangshan Port.
China Mobile	0941	HK\$61.80	-HK\$2.00	-3.1%	The mobile giant was undermined by a share placement worth HK\$1.15 billion by an investor (China Ecerbright) during the week.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @8/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
ZTE	0763	HK\$39.00	+HK\$2.15	+5.8%	The leading telecom equipment provider was seen as a major beneficiary from the rollout of 3G services in the mainland.
CCB	0939	HK\$4.15	+HK\$0.15	+3.8%	The mainland's banking regulator is investigating the bank's application to march into the insurance market.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @8/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Travel	0308	HK\$2.36	+HK\$0.33	+16.3%	The tour operator soared this week on an upgrade by a brokerage house on expectation of asset injections by its parent.
China Unicom	0762	HK\$9.24	+HK\$0.72	+8.5%	The mainland telecoms raced up on expectations that 3G mobile-services licences will be issued in the first quarter next year.
China Netcom	0904	HK\$16.70	+HK\$1.72	+11.5%	

Summary of US Economic News

Indicator	Change/Index	Comments
Non-farm productivity – Q3 2006	+0.2% q-o-q	The revised figure for productivity in third quarter rose a less-than-expected 0.2%.
ISM non-manufacturing index – November 2006	58.9	The pace of growth in the US services sector accelerated unexpectedly in November, showing surprising strength amid worries about the manufacturing industry. The ISM non-manufacturing index rose to 58.9 in November from 57.1 in October.
Factory orders – October 2006	-4.7% m-o-m	Orders for US factory goods fell 4.7% in October, the latest evidence of contraction in the manufacturing sector. It was the biggest overall drop in factory orders since July 2000.
Consumer credit – October 2006	-US\$1.2 billion	US consumer credit fell US\$1.2 billion in October, the fastest rate of decline in 14 years, dragged by a big drop in nonrevolving credit. September consumer credit rose by a revised US\$4 billion, well above the previously reported drop of US\$1.2 billion.
Initial jobless claims – week ended 2 nd December 2006	-34,000	First-time initial claims fell by 34,000 to a seasonally adjusted 324,000 in the week ended 2 nd December, down from a revised 358,000 in the previous week.

Forthcoming Important Announcements / Events

11 th December 2006 (Monday)	HK US	: TPV Technology (0903) – Q3 2006 results : No important announcements / events
12 th December 2006 (Tuesday)	HK US	: Linmark Group (0915) – interim results : China Pharmaceutical (1093) – Q3 2006 results : Kingdom Holdings (0528) – trading debut : FOMC meeting : Best Buy Co., Inc – Q3 2007 results : Goldman Sachs Group Inc – Q4 2006 results
13 th December 2006 (Wednesday)	HK US	: CITIC 21CN (0241) – interim results : Chuang's Consortium (0367) – interim results : Shui On Construction and Materials (0983) – interim results : Business inventories – October 2006 : Retail sales – November 2006
14 th December 2006 (Thursday)	HK US	: Ming Pao Enterprise (0685) – interim results : Initial jobless claims – week ended 9 th December 2006 : Adobe Systems Inc – Q4 2006 results : Bear Stearns Cos Inc – Q4 2006 results : Costco Wholesale Corp – Q1 2007 results : Lehman Brothers Holdings Inc – Q4 2006 results
15 th December 2006 (Friday)	HK US	: Asia Standard International (0129) – interim results : Texwinca (0321) – interim results : China Gas (0384) – interim results : Fountain Set (0420) – interim results : Chun Wo Holdings (0711) – interim results : China Communications Construction (1800) – trading debut : Neo-Neon Holdings (1868) – trading debut : Shanghai Jin Jiang International Hotels (2006) – trading debut : Consumer price index – November 2006 : Industrial production – November 2006 : Carnival Corp – Q4 2006 results

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