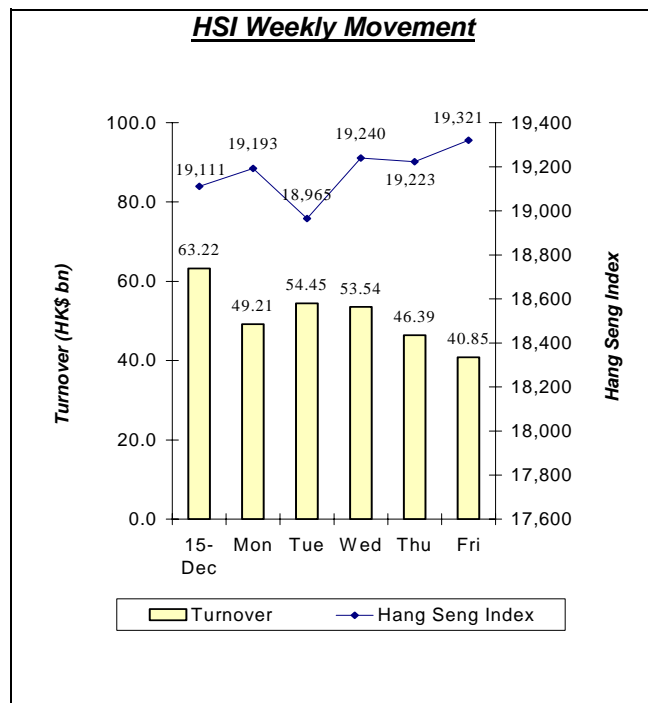


## HSCEI reached another new record high



<b><u>Weekly Market Statistics</u></b>				
Week ended	22/12/2006	15/12/2006	Change	%
Hang Seng Index	19,321	19,111	210	+1.1%
HS Red Chip Index	3,161	3,089	72	+2.3%
HS China Enterprises Index	9,593	8,989	604	+6.7%
HS Composite Index	2,693	2,631	62	+2.4%
HS HK Composite Index	2,409	2,404	4	+0.2%
HS Mainland Composite Index	3,093	2,955	137	+4.6%
S&P/HSEx GEM Index	1,211	1,184	27	+2.3%
Avg Daily Turnover (HK\$ bn)	48.9	44.8	4	+9.1%
Sectoral Indices				
Finance	31,584	31,231	353	+1.1%
Utilities	35,694	35,722	(28)	-0.1%
Properties	22,455	22,615	(161)	-0.7%
Comm & Ind	10,196	10,038	158	+1.6%

## Review & Outlook of Market Performance

The local bourses started the week with a strong run in the HSCEI. The HSI took a sharp correction on Tuesday as investors took the 18% plunge of Thailand's stock market as an excuse to take profit. Sun Hung Kai Properties bought the site at the Peak for HK\$1.8 billion, or HK\$42,196 per sq ft of gross floor area during Tuesday's land auction. The above-expectation land auction results fuelled the strong sentiment in the luxury property market. The HSI regained the 19,000 territory on Wednesday, following strong performance of the Dow Jones and the sharp rebound (10%) of the Thai market on withdrawal of the exchange control measure applicable to the stock market. IPOs continued to post strong performance on their debuts. The HSI ended the week at 19,320.52, up 210 points or 1.1%. Average daily turnover amounted to HK\$48.9 billion, up from HK\$44.8 billion in the previous week.

Among the blue-chips, investors chased after HKEx on strong trading turnover and IPO activities and the counter hit a record high of HK\$78.90. Local property developers, particularly those with land bank or inventory in the high-end residential market responded positively to the land auction results. The winners were Sino Land and Kerry Properties, which gained 3.10% and 5.23% w-o-w respectively.

HSCEI reached a new record high of 9,597.66 this week, before finishing at a record close of 9,593.07, up 604 points or 6.7% w-o-w. The H shares, particularly those with plans or the potential to list on the A share market, were heavily chased by investors amid the recent strong A share performance. In particular, the strong rally of China Life Insurance from last week continued while Tsingtao Brewery soared following its A-share reform announcement. Bank of Communications and Beijing Capital International Airport were other hot candidates that were sought after speculating on future listings on the Mainland.

Composite CPI of Hong Kong rose 2.2% y-o-y in Nov 06, which was largely in-line with market expectation. Next week will be a 3-day short trading week and we see the good market sentiment should continue, though turnover may drop. The HSI is expected to trade between 19,100 –19,300 before the year-end.

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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							
22nd December	12,421.25*	2,415.85*	17,104.96	2,942.39	1,079.72	680.31	7,652.47
15th December	12,416.76*	2,453.85*	16,914.31	2,931.29	1,089.32	736.29	7,538.82
Change	+4.49	-38.00	+190.65	+11.10	-9.60	-55.98	+113.65
%	+0.0%	-1.5%	+1.1%	+0.4%	-0.9%	-7.6%	+1.5%

Remark (\*): closing as of 21<sup>st</sup> December 2006

### Major Changes in Index Constituent Stocks (Week ended 22<sup>nd</sup> December 2006)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
HKEX	0388	HK\$78.55	+HK\$6.80	+9.48%	The counter was chased after on strong trading turnover and IPO activities; it hit a record high of HK\$78.90 during the week.
China Construction Bank	0939	HK\$4.62	+HK\$0.35	+8.20%	The counter rose on speculation of listing in the domestic market and reached its all-time high of HK\$4.65.

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Tsingtao Brewery	0168	HK\$12.84	+HK\$2.64	+25.88%	The company's A shares (600600.SS) soared 22.7% on Wednesday following a share reform announcement. Each A share will get RMB0.24 in cash and 0.178777 share.
Beijing Airport	0694	HK\$6.01	+HK\$1.01	+20.20%	The company announced asset acquisition from its parent company and the listing of A shares.
China Life Insurance	2628	HK\$24.35	+HK\$3.75	+18.20%	The company's A share is to be priced next week and be listed in Jan 2007.
Bank of Communications	3328	HK\$8.42	+HK\$1.23	+17.11%	The counter rose on speculation of listing in the domestic market and reached its all-time high of HK\$8.56.

#### Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @22/12/06	W-O-W Change		Remarks / Comments
			Absolute	%	
COFCO International	0506	HK\$7.50	+HK\$0.65	+9.49%	The counter continued the rally on the news of reorganization and asset injection. It reached its high of HK\$7.79 during the week.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Current account balance – Q3 2006	Deficit US\$225.6 billion	The deficit grew from a revised US\$217.1 billion in the second quarter. The quarterly shortfall surpassed the previous record of US\$223.1 billion in the 4Q05, but was largely in line with market expectation at US\$225.0 billion.
Producer price index – November 2006	+2.0%	The Producer Price Index rose 2% in November rekindled investor fears about worsening inflation and higher interest rates. It was the biggest jump in PPI since November 1974. The market expected the PPI to rise 0.7%.
Core PPI – November 2006	+1.3%	The Core PPI rose 1.3% in November, which was the biggest gain since July 1980. The market expected the core PPI to rise 0.3%.
Housing starts – November 2006	+6.7%	The total housing starts edged up 6.7% in November to a seasonally adjusted annual rate of 1.59 million units.
Index of leading indicators – November 2006	+0.1%	The Index of Leading Economic Indicators edged up to 138.2 in November following a revised increase of 0.1% to 138.1 in October.
Initial jobless claims – the week ended 16 <sup>th</sup> December 2006	+9,000	The Labour Department reported that 315,000 workers filed initial claims for jobless benefits in the week ending December 16, an increase of 9,000 from the previous week. The figure was in-line with market expectation.

**Forthcoming Important Announcements / Events**

25 <sup>th</sup> December 2006 (Monday)	HK	:	Public Holiday
	US	:	Public Holiday
26 <sup>th</sup> December 2006 (Tuesday)	HK	:	Public Holiday
	US	:	No important announcements / events
27 <sup>th</sup> December 2006 (Wednesday)	HK	:	ITC Corporation (0372) – interim results
	US	:	<b>New home sales – November 2006</b>
28 <sup>th</sup> December 2006 (Thursday)	HK	:	China Sci-Tech (0985) – interim results
			Ming Fung Jewellery (0860) – annual results for the year ended 30 September 2006
	US	:	Consumer confidence – December 2006
			Initial jobless claims – week ended 23 <sup>rd</sup> December 2006
			Existing home sales – November 2006
29 <sup>th</sup> December 2006 (Friday)	HK	:	Capital Strategic Investment (0497) – interim results
	US	:	Chicago PMI – December 2006

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