



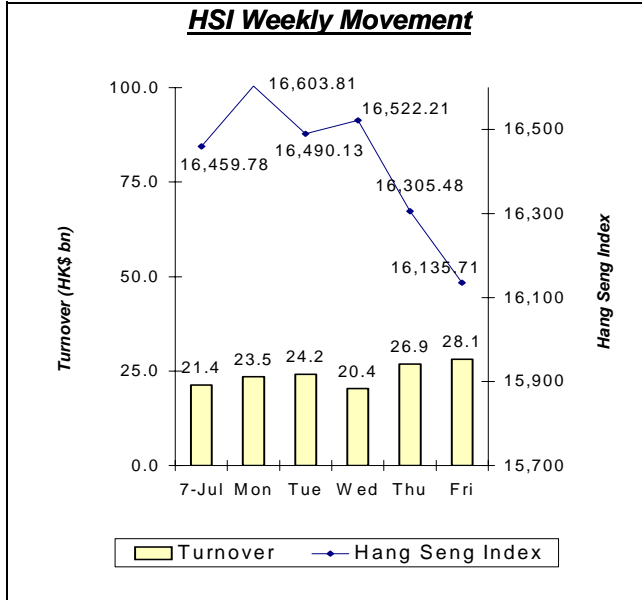
Restricted circulation

Analyst: Kevin Tam

Weekly Report

14th July 2006

Rebound of the Hong Kong Market halted on Global Concerns



Weekly Market Statistics				
Week ended	14/07/2006	07/07/2006	Change	%
Hang Seng Index	16,135.71	16,459.78	-324.07	-2.0%
HS Red Chip Index	2,279.88	2,345.62	-65.74	-2.8%
HS China Enterprises Index	6,647.53	6,837.77	-190.24	-2.8%
HS Composite Index	2,153.69	2,198.65	-44.96	-2.0%
HS HK Composite Index	2,115.09	2,150.78	-35.69	-1.7%
HS Mainland Composite Index	2,229.66	2,288.31	-58.65	-2.6%
S&P/HKEx GEM Index	1,148.64	1,174.59	-25.95	-2.2%
Avg Daily Turnover (HK\$ bn)	24.62	23.53	+1.09	+4.6%
Sectoral Indices				
Finance	28,623.12	28,966.73	-343.61	-1.2%
Utilities	31,831.34	31,994.18	-162.84	-0.5%
Properties	19,011.99	19,576.75	-564.76	-2.9%
Comm & Ind	7,925.95	8,133.15	-207.20	-2.5%

Review & Outlook of Market Performance

The Hong Kong stock market failed to sustain its up-trend over the week. The market continued to climb earlier in the week, partly fuelled by a new round of speculation on RMB reform. But geopolitical uncertainties in the Middle East, rate hike in Japan, concerns over imminent rate hike by PBOC, and worries over US earning season finally halted the recent rebound of the local stock market. Hang Seng Index lost 2%, or 324.07 points w-o-w to close 16,135.71. HSCEI dropped 2.8%, or 190.24 points w-o-w, at 6,647.53. Average daily turnover was HK\$24.62 billion, up HK\$1.09 billion w-o-w.

PCCW chairman Richard Li agreed on Monday to sell the holding of Pacific Century Regional Development's 23% stake in PCCW to former Citigroup banker Francis Leung Pak-to in a deal worth HK\$9.16 billion. Upon completion, Leung will become the largest shareholder in PCCW. Leung's acquisition is priced at HK\$6 per share, which represents an 8.1% premium to PCCW's closing share price before announcement of the deal. PCCW plunged 9% over the week at HK\$5.05 as investors were disappointed a bidding war failed to materialise.

Strong economic data sparked speculation of further tightening measures in Mainland China. On y-o-y basis, China's industrial output rose 19.5% in June, up from 17.9% in May, while fixed-asset investment jumped by 35%, up sharply from May's already very high rate of 30.3%. There was increasing speculation that the central government will soon raise both the lending and the deposit rates by 27 basis points.

On the IPO front, Greentown China, which was some 10 times over-subscribed in the retail tranche, rose 6.4% in its debut trading and closed Thursday at HK\$8.75 each, compared with its IPO price of HK\$8.22.

US consumer price index and major corporate results, which are scheduled to be released next week, should give important clue to market direction. In addition, further plunge of the US and European stock markets on Friday and continuing worries over a new round of China's cooling measures should drive the HSI down next week, with initial support at 16,000. The market may test its next support level of 15,800.

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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 14th July	10,739.35	2,037.35	14,845.24	2,363.55	913.63	661.59	6,428.03
7th July	11,090.67	2,130.06	15,307.61	2,445.13	925.56	686.11	6,660.61
Change	-351.32	-92.71	-462.37	-81.58	-11.93	-24.52	-232.58
%	-3.2%	-4.4%	-3.0%	-3.3%	-1.3%	-3.6%	-3.5%

Major Changes in Index Constituent Stocks (Week ended 14th July 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @14/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$16.6	+HK\$0.05	+0.3%	The Company announced to buy Rosetti Handbags & Accessories for US\$162 million to continue building a strong US wholesale business in the private label area and expand Li & Fung non-apparel business.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @14/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Newsteel	0347	HK\$6.35	-HK\$0.7	-9.93%	The steel manufacturer was the worst performing HSCEI constituents, since its business is more exposed to a new round of tightening measure.
Air China	0753	HK\$2.9	-HK\$0.275	-8.66%	Oil prices staying above US\$75 has a significantly negative impact to the aviation industries, in particular China airlines do not normally have practice to hedge the rising fuel cost.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @14/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL Multimedia	1070	HK\$0.69	-HK\$0.11	-13.75%	The Company issued profit warning that it might record substantial losses in 1H06 due to the worse-than-expected performance of its European operation, being pressured by the rapid development of flat panel displays.



Summary of US Economic News

Indicator	Change/Index	Comments
Trade Balance – May	- US\$63.8 bn	The trade deficit was lower than the expected US\$64.9 bn, but was slightly up from US\$63.4 bn in the prior month.
Initial Jobless Claims – Week ended 9 July	332k	The figure was higher than the expected 320k and 313k in the prior month.
Advanced Retail Sales – June	-0.1%	The figure fell short of expectations of a 0.4% increase and 0.1% increase in prior month. The drop reflected the impact of surging gas prices on consumer spending.
University of Michigan Confidence (Preliminary) - July	83	The figure fell short of expectations of 85.5 and 84.9 in prior month, suggesting deterioration in consumer sentiment.

Forthcoming Important Announcements / Events

17 th July 2006 (Monday)	HK US	: Texwinca Holdings (0321) – Final Results Ngai Lik Industrial (0332) – Final Results Group Sense (0601) – Final Results Shui On Construction (0983) – Final Results : Citigroup Inc – FY06 Interim Results Google Inc – FY06 Interim Results IBM – FY06 Interim Results Merill Lynch – FY06 Interim Results Pfizer Inc – FY06 Interim Results Industrial Production – June
18 th July 2006 (Tuesday)	HK US	: Alco Holdings (0328) – Final Results Bossini International (0592) – Final Results Unemployment rate – June : 3M – FY06 Interim Results Coca-Cola Co – FY06 Interim Results New York Times – FY06 Interim Results Wells Fargo & Co – FY06 Interim Results Yahoo! Inc – FY06 Interim Results Producer Price Index - June
19 th July 2006 (Wednesday)	HK US	: Chen Hsong Holdings (0057) – Final Results : Apple Computer Inc – FY06 3Q Results Bank of America – FY06 Interim Results eBay Inc – FY06 Interim Results Intel Corp – FY06 Interim Results JPMorgan Chase & Co – FY06 Interim Results Motorola Inc – FY06 Interim Results Qualcomm Inc – FY06 3Q Results Consumer Price Index – June Housing Starts – June
20 th July 2006 (Thursday)	HK US	: Hang Fung Gold Technology (0870) – Final Results : Amgen Inc – FY06 Interim Results Ford Motor Co – FY06 Interim Results Microsoft Corp – FY06 Final Results Initial Jobless Claims – Week ended 16 July Leading Indicators – June
21 st July 2006 (Friday)	HK US	: Chun Wo Holdings (0711) – Final Results Samson Paper Hldgs (0731) – Final Results Consumer Price Index – June : No Important Event/ Announcement

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