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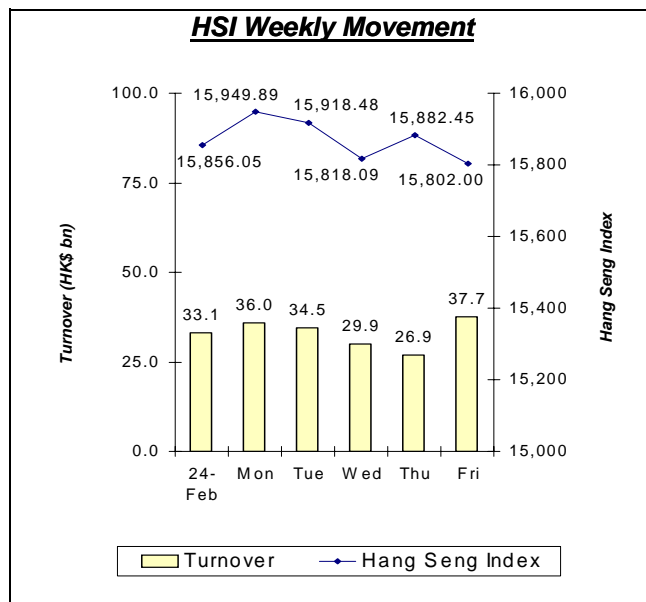
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Weekly Report

11th March 2006

A week of continuing Sell-off



Weekly Market Statistics				
Week ended	10/03/2006	03/03/2006	Change	%
Hang Seng Index	15445.05	15,802.00	-356.95	-2.3%
HS Red Chip Index	2010.84	2,112.75	-101.91	-4.8%
HS China Enterprises Index	6174.4	6,545.59	-371.19	-5.7%
HS Composite Index	2063.01	2,126.68	-63.67	-3.0%
HS HK Composite Index	2084.52	2,111.40	-26.88	-1.3%
HS Mainland Composite Index	2052.04	2,169.05	-117.01	-5.4%
S&P/HKEx GEM Index	1170.5	1,186.22	-15.72	-1.3%
Avg Daily Turnover (HK\$ bn)	32.03	33.01	-0.98	-3.0%
Sectoral Indices				
Finance	28053.67	28,108.98	-55.31	-0.2%
Utilities	32078.99	32,431.77	-352.78	-1.1%
Properties	18965.79	19,561.42	-595.63	-3.0%
Comm & Ind	7319.88	7,617.88	-298.00	-3.9%

Review & Outlook of Market Performance

The HSI suffered heavy correction this week with a 356.95 points drop, or down.3% y-o-y at 15,445.05. Average daily turnover was HK\$32.03 billion.

Despite reporting a forecast-beating 17% y-o-y jump in FY05 net profit to US\$15.08 billion, HSBC's encouraging results failed to stimulate the market. Renewed fear on further rate hike, possible end of extra loose monetary policy in Japan pushed the global equity markets down. Hong Kong has particularly been suffering from the outflow of hot money as one month HIBOR rose to 4.3% level from 3.6% level earlier in the year. HSBC gained slightly by 0.3% w-o-w to HK\$132.50. Meanwhile, the result of Hang Seng Bank disappointed the market with FY05 net profit down 0.2% to HK\$11.34 billion. Hang Seng Bank went down 0.7% over the week. Dragged by the global negative sentiments on telecom stocks, China Mobile plunged by 4.3% to HK\$35.55.

H-share index tumbled 5.7% w-o-w at 6,174.4. In addition to some signs of capital outflow, a report published by Morgan Stanley that recommended selling H-shares also triggered the plunge. China Construction Bank fell by 7.4% w-o-w to HK\$3.425.

This week we saw signs of capital outflow as indicated by rising HIBOR, dropping of bond prices and the weakening of CNY and HKD. Given the stronger than expected US payroll data announced yesterday, this trend should continue. Technically, HSI and H shares broke the support of short-term uptrend, reinforcing the view of a medium term consolidation. With the Dow rebounded 104 points or nearly 1% on Friday, we see the HSI may have some technical buying and could trade above 15,500 next week.

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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							
10th March	11,076.34	2,262.04	16,115.63	2,496.73	921.96	728.18	6,490.68
3rd March	11,021.59	2,302.60	15,663.34	2,493.43	916.93	753.39	6,553.66
Change	+54.75	-40.56	+452.29	+3.30	+5.03	-25.21	-62.98
%	+0.5%	-1.8%	+2.9%	+0.1%	+0.5%	-3.3%	-1.0%

Major Changes in Index Constituent Stocks (Week ended 10th March 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @10/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Netcom	0906	HK\$13.1	-HK\$1.2	-8.4%	Uncertainty on how the upcoming telecom restructure would affect China Netcom weighed on the investment sentiment. Also, profit takings were seen upon being formally admitted to the Hang Seng Index.
Cathy Pacific	0293	HK\$13.7	-HK\$0.5	-3.5%	Dragged by high oil prices, final results disappointed the market.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Newsteel	0347	HK\$6.65	+HK\$0.35	+5.6%	Despite cyclical weakness, possible consolidation and pending acquisition from parent company may favour industry leader.
GuangShen Railway	0525	HK\$3	-HK\$0.075	-2.44%	The strategic potential of railway development in China made the counter stayed resilient.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @10/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China	1114	HK\$1.17	-HK\$0.14	-10.7%	Its recent profit warning revealed the worst is not over for the company and the company is still suffering from the overcapacity problem in the industry.

Summary of US Economic News

Indicator	Change/Index	Comments
Factory Orders (MoM) – January	-4.5%	The decline in factory orders was smaller than expected 5.4% decline.
Pending Home Sales Index – January	-2.6%	Reinforce the view that the US housing market is slowing down.
Non-farm Productivity (QoQ) – Q4	-0.5%	The decline in productivity than the expected 0.1% decline, indicating increasing inflation pressure.
Initial Jobless Claims – week ended 4 th March 2006	295,000	Initial jobless claims stayed roughly the same with the week before, and held below the 300,000 level for a eighth consecutive week.
Nonfarm Payrolls (MoM) – February	+243,000	The increase in payrolls is larger than the expected 210,000. The peak in rate hike should be somewhat later than initially expected.

Forthcoming Important Announcements / Events

13 th March 2006 (Monday)	HK	:	Aluminum Corporation of China (2600) – Final results Solomon SysTech (2878) – Final results
	US	:	Nortel Networks – Q4 results
14 th March 2006 (Tuesday)	HK	:	Linmark (0915) – 3Q results
	US	:	Goldman Sachs – Q1 results Current Account – Q4
15 th March 2006 (Wednesday)	HK	:	Wharf Holdings (0004) – Final results New World Development (0017) – Final results Guangzhou R&F Properties (2777) – Final results
	US	:	Adidas-Salomon – Q4 results Beige Book – February
16 th March 2006 (Thursday)	HK	:	Hong Kong & Shanghai Hotels (0045) – Final results Sino Land (0083) – Final results Wing Hang Bank (0302) – Final results China Mobile (0941) – Final Results Cheung Kong Infrastructure (1038) – Final results
	US	:	Consumer Price Index – February Housing Starts – February Initial Jobless Claims – week ended 11 th March 2006
17 th March 2006 (Friday)	US	:	Morgan Stanley – Q1 Results Industrial Production – February Consumer Sentiment – March

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