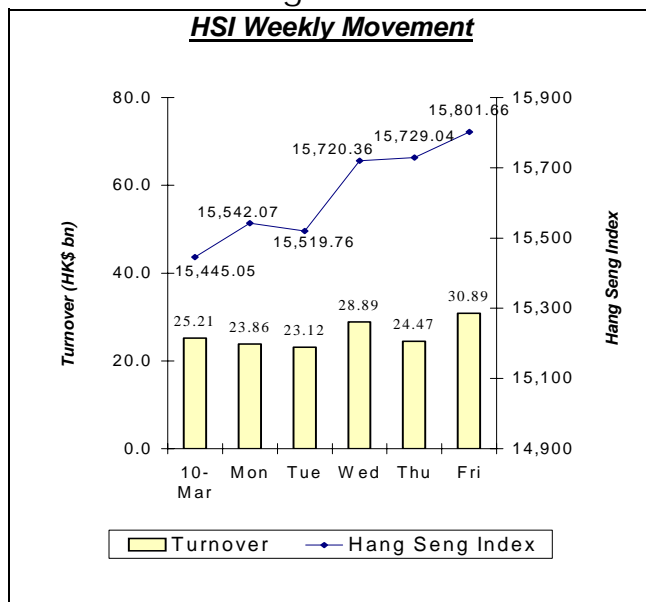


HSI surged on China Mobile rally & easing rate-hike worry



| Weekly Market Statistics | | | | |
|---------------------------------|-----------|-----------|---------|--------|
| Week ended | 17/3/2006 | 10/3/2006 | Change | % |
| Hang Seng Index | 15,801.66 | 15,445.05 | +356.61 | +2.3% |
| HS Red Chip Index | 2,113.10 | 2,010.84 | +102.26 | +5.1% |
| HS China Enterprises Index | 6,409.29 | 6,174.40 | +234.89 | +3.8% |
| HS Composite Index | 2,119.67 | 2,063.01 | +56.66 | +2.7% |
| HS HK Composite Index | 2,120.49 | 2,084.52 | +35.97 | +1.7% |
| HS Mainland Composite Index | 2,138.89 | 2,052.04 | +86.85 | +4.2% |
| S&P/HKEx GEM Index | 1,231.85 | 1,170.50 | +61.35 | +5.2% |
| Avg Daily Turnover (HK\$ bn) | 26.25 | 33.01 | -6.76 | -20.5% |
| Sectoral Indices | | | | |
| Finance | 28,251.49 | 28,053.67 | +197.82 | +0.7% |
| Utilities | 32,454.38 | 32,078.90 | +375.48 | +1.2% |
| Properties | 19,325.23 | 18,965.79 | +359.44 | +1.9% |
| Comm & Ind | 7,607.45 | 7,319.88 | +287.57 | +3.9% |

Review & Outlook of Market Performance

Hang Seng Index regained steam and rebounded 2.3% or 356 points w-o-w after profit taking in the previous week, as weak retail sales and tame inflation figures in the US relieved investors' concerns over a prolonging rate-hike cycle in the US and Hong Kong. Average daily turnover was HK\$26.25 billion, down from HK\$33.01 billion a week earlier, as some investors preferred to stay on the sideline ahead of the key FOMC meeting scheduled on 27th & 28th March 2006.

HSI revived its uptrend during the week, mainly driven by a strong rally in China Mobile. The mainland mobile giant reported a better-than-expected 28.3% y-o-y rise in FY2005 profit and proposed a higher dividend per share, which cheered investors and lifted the stock 7.44% w-o-w up to HK\$38.25. Meanwhile, New World Development (NWD) also performed well during the week after posting a more-than-doubled interim earnings. NWD was the top gainer in the blue-chip index, rallying 12.08% w-o-w to HK\$13.45. BEA finished the second with an 8.57% jump to close HK\$27.25, after being upgraded by Morgan Stanley citing its pleasant mainland business outlook.

HSCEI gained 3.8% w-o-w to 6,409.29, amid growing speculation for a stronger yuan. The market is seeing greater flexibility in RMB, as the currency surpassed the 1%-gain threshold against the greenback since its July revaluation on Friday, before a visit by two US senators to Beijing next week. Dongfeng Motor was the biggest gainer in the H-share index, up 11.86% w-o-w, followed by the two mainland insurance giants, China Life and Ping An, which were up 7.19% and 6.94%, respectively, over the week.

Investors should be busy next week, seeing major blue-chip and H-share companies, like Cheung Kong (Holdings) and Hutchison Whampoa, BOC (Hong Kong), PetroChina and CNOOC, releasing their earnings results. The stock market is seen trading in tight range, as the "wait-and-see" atmosphere lingers on ahead of the FOMC meeting in the week after next, of which a 25-bps hike is widely expected.

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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 | | | | | | | |
| 17th March | 11,279.65 | 2,306.48 | 16,339.73 | 2,494.41 | 922.62 | 741.43 | 6,528.57 |
| 10th March | 11,076.34 | 2,262.04 | 16,115.63 | 2,496.73 | 921.96 | 728.18 | 6,490.68 |
| Change | +203.31 | +44.44 | +224.10 | -2.32 | +0.66 | +13.25 | +37.89 |
| % | +1.8% | +2.0% | +1.4% | -0.1% | +0.1% | +1.8% | +0.6% |

Major Changes in Index Constituent Stocks (Week ended 17th March 2006)**Hang Seng Index (HSI)**

| Stock | Stock Code | Closing Price @17/3/06 | W-O-W Change | | Remarks / Comments |
|-----------------------|------------|---------------------------|--------------|---------|--|
| | | | Absolute | % | |
| New World Development | 0017 | HK\$13.45 | +HK\$1.45 | +12.08% | New World Development reported a 100.7% y-o-y jump in net profit to HK\$2.092 billion for the six months ended 31/12/2005. Meanwhile, the Group revealed that it is planning for a separate listing for its department store operations. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @17/3/06 | W-O-W Change | | Remarks / Comments |
|----------------------|------------|---------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Life Insurance | 2628 | HK\$8.95 | +HK\$0.60 | +7.19% | Mainland insurers were among the top gainers in the H-share index during the week, as they regained investors' interests after recent profit taking. |
| Ping An Insurance | 2318 | HK\$18.50 | +HK\$1.20 | +6.94% | |

Hang Seng China-Affiliated Corporations Index (HSCCI)

| Stock | Stock Code | Closing Price @17/3/06 | W-O-W Change | | Remarks / Comments |
|----------------------|------------|---------------------------|--------------|---------|---|
| | | | Absolute | % | |
| China Resources Land | 1109 | HK\$5.20 | +HK\$0.80 | +18.18% | Mainland property plays rallied strongly during the week, as investors speculated further Yuan appreciation. During the week, Yuan hit its highest level since revaluation July 2005, as investors speculated that the PBOC, China's central bank, would avoid intervention ahead of a visit to Beijing by two US senators. |
| China Overseas Land | 0688 | HK\$4.625 | +HK\$0.475 | +11.45% | |

Summary of US Economic News

| Indicator | Change/Index | Comments |
|---|--------------------|---|
| Current account balance – Q4 2005 | -US\$224.9 billion | US current account deficit surged to a higher-than-expected record US\$224.9 billion in Q4 2005. |
| Retail sales – February | -1.3% | Retail sales fell 1.3% m-o-m in Feb, larger than consensus forecast of a 0.8% drop, after a revised 2.9% gain in Jan. |
| Consumer price index – February | +0.1% | CPI surged 0.1% in Feb, matching consensus forecast. Excluding food and energy prices, core CPI rose 0.1%, lower than a forecast of 0.2%. |
| Initial jobless claims – the week ended 11 th March 2006 | +5,000 | Initial jobless claims rose 5,000 to 309,000 last week, worse than an expected dip to 304,000. |
| Housing starts – February | -7.8% | Housing starts slowed 7.8% to an annual rate of 2.12 million units in Feb, beating consensus forecast of a bigger drop to 2.03 million units. |
| Industrial production – February | +0.7% | Industrial output rose 0.7% in Feb after a 0.3% fall in Jan, matching market expectations. |

Forthcoming Important Announcements / Events

| | | | |
|---|----|---|---|
| 20 th March 2006 (Monday) | HK | : | China Resources Power (0836) – final results Guangshen Railway (0525) – final results HK & China Gas (0003) – final results PetroChina (0857) – final results |
| | US | : | Index of leading indicators – February 2006 Oracle Corp. – Q3 FY2005/06 results |
| 21 st March 2006 (Tuesday) | HK | : | Consumer price index – February 2006 China Netcom (0906) – final results China Oilfield (2883) – final results Giordano International (0709) – final results ICBC (Asia) (0249) – final results Tom Group (2383) – final results |
| | US | : | Producer price index – February 2006 |
| 22 nd March 2006 (Wednesday) | HK | : | China Telecom (0728) – final results CITIC Pacific (0267) – final results Henderson Investment (0097) – interim results Henderson Land (0012) – interim results Li & Fung (0494) – final results Tencent (0700) – final results TVB (0511) – final results |
| | US | : | Adobe Systems Inc – Q1 FY2005/06 |
| 23 rd March 2006 (Thursday) | HK | : | BOC (Hong Kong) (2388) – final results Cheung Kong (Holdings) (0001) – final results China Unicom (0762) – final results COSCO Pacific (1199) – final results Hutchison Whampoa (0013) – final results |
| | US | : | Initial jobless claims – week ended 18 th March 2006 Existing home sales – February 2006 |
| 24 th March 2006 (Friday) | HK | : | External trade – February 2006 BYD Company (1211) – final results CNOOC (0883) – final results Huadian Power (1071) – final results Kerry Properties (0683) – final results Shanghai Petrochemical (0338) – final results |
| | US | : | Durable goods orders – February 2006 New home sales – February 2006 |

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