

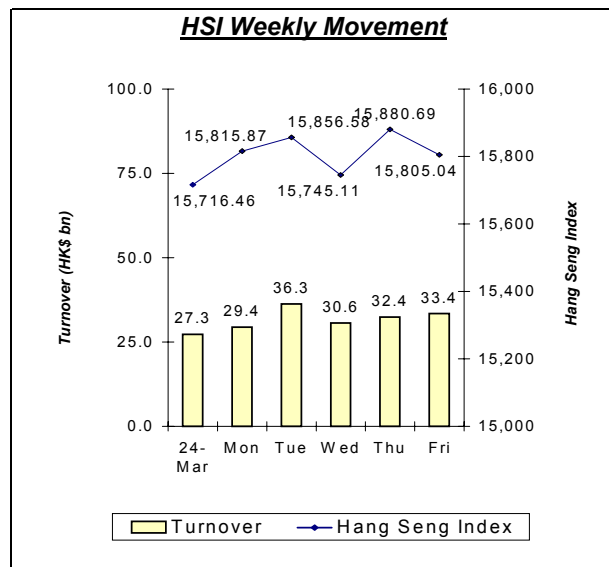
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report1st April 2006**HSI encountered resistance at 16,000**

Weekly Market Statistics				
Week ended	31/03/2006	24/03/2006	Change	%
Hang Seng Index	15,805.04	15,716.46	+88.58	+0.6%
HS Red Chip Index	2,184.60	2,137.50	+47.10	+2.2%
HS China Enterprises Index	6,703.78	6,600.25	+103.53	+1.6%
HS Composite Index	2,155.00	2,128.76	+26.24	+1.2%
HS HK Composite Index	2,118.41	2,107.50	+10.91	+0.5%
HS Mainland Composite Index	2,228.16	2,179.69	+48.47	+2.2%
S&P/HKEx GEM Index	1,269.46	1,249.37	+20.09	+1.6%
Avg Daily Turnover (HK\$ bn)	32.42	28.79	+3.63	+12.6%
			+0.00	#DIV/0!
Sectoral Indices				
Finance	27,697.59	27,746.57	-48.98	-0.2%
Utilities	32,860.70	32,392.67	+468.03	+1.4%
Properties	19,483.40	19,302.00	+181.40	+0.9%
Comm & Ind	7,707.87	7,634.19	+73.68	+1.0%

Review & Outlook of Market Performance

The Hang Seng Index started the week strongly, lifted by good corporate results and hope for a more dovish tone from US Fed chairman Ben Bernanke. On Friday, the index once touched 15,964.35. However, the HSI saw strong resistance around 16,000 level and retreated since then. The Hang Seng Index closed the week at 15,805.04, up 88.58 points, or 0.6%.

Following the FOMC decision to raise rate by 25 bps, Hong Kong Banks raised interest rates by a quarter percentage point. The prime rate for most local banks is now at 8.25%. The market was disappointed the tone of Fed Chairman Bernanke was less dovish than expected, dropping little hints that rate hike would end soon. CNOOC went down 5.5% w-o-w at HK\$6.00, on a forecast-missing FY05 results (up on 57% y-o-y to RMB 25.3 billion). Hopes of a takeover bid for Standard Chartered faded after a subsidiary of Temasek Holdings agreed to buy an 11.55% stake at the bank. The bank was down 4.85% w-o-w, at HK\$196. PCCW reported a weaker-than-expected 2.5% y-o-y gain in FY05 net profit of HK\$1.59 billion on lack of growth in its core business and lower contributions from residential project after adopting new accounting practice. PCCW lost 1.9% w-o-w at HK\$5.1.

The momentum of H-shares remained strong. Reports that China Social Security fund would get permission to invest overseas fuelled the rally. Market expected the launch of QDII (Qualified Domestic Institutional Investor), a mechanism that channel China's savings to invest overseas, would be the next step of the Chinese government to liberalize the financial markets. The HSCEI closed at 6,703.78, up 103.53 points, or 1.6%. However, the gains were concentrated on oil and mining stocks, which were driven by commodity prices rather China-related factors. Meanwhile, financial stocks, leaders of the H-shares rally this year, saw their technical momentum weakened a bit this week.

Looking forward, the Hang Seng Index is unlikely to gather strength to breakthrough the 16,000 resistance level in the near future as the market is taking a little bit more cautious outlook on the end of rate hike cycle. Given expectations for the launch of QDII and strengthening CNY, we expect the HSCEI continues out-performing the Hang Seng Index.

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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							
31st March	11,109.32	2,339.79	17,059.66	2,533.40	926.63	733.25	6,613.97
24th March	11,279.97	2,312.82	16,560.87	2,497.31	926.09	730.85	6,376.62
Change	-170.65	+26.97	+498.79	+36.09	+0.54	+2.40	+237.35
%	-1.5%	+1.2%	+3.0%	+1.4%	+0.1%	+0.3%	+3.7%

Major Changes in Index Constituent Stocks (Week ended 31st March 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @31/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$40.75	+HK\$2.2	+5.71%	The rally was triggered by better-than-expected FY05 results and earnings upgrade, pushing the stock towards its 5-years high of HK\$42.25.
Lenovo Group	0992	HK\$2.95	-HK\$0.275	-8.53%	Probe from US State Council and disappointing results from counterparts Acer weighed on the stock.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @31/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$6.1	+HK\$1.375	+29.1%	Better-than-expected FY05 results and a record-high gold price in recent decades pushed the counter to its record high of HK\$6.15.
Angang New Steel	0347	HK\$7.3	+HK\$0.75	+11.45%	The Company raised its steel prices recently, indicating a better operating environment.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @31/03/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen Investment	0604	HK\$2.65	+HK\$0.275	+11.58%	High-profile stock analyst, Joe Zhang, joined the Group as the Chief Operating Officer from UBS, raising investors' expectations on the Company.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Consumer Confidence – March	107.2	The consumer confidence indicator was significantly higher than the consensus expectations of 102 and 101.7 in the prior month, indicating consumer sentiment is still buoyant.
Initial Jobless Claims – week ended 19 th March 2006	+302k	The figure was slightly lower than consensus expectations of 305k, pointing to a healthy labour market.
Personal Income - February	+0.3%	The increase was slightly lower than expectations of 0.4% and 0.7% in the prior month.
Personal Spending – February	+0.1%	This was slightly higher than expectations of staying flat, but was lower than 0.9% in the prior month.
PCE Core – February	+0.1%	The core personal consumption expenditure was in line with expectations, and was slightly lower than 0.2% in the prior month, suggesting inflation was contained and acceptable.
Chicago Purchasing Manager Index	60.4	The figure was higher than expectations of 57 and 54.9 in the previous month, suggesting the US economy was still in solid expansionary path.
Factory Orders - Feb	+0.2%	The figure was significantly lower than expectations of 1.3%, but was up from minus 4.5% in the prior month.

Forthcoming Important Announcements / Events

3 rd April 2006 (Monday)	HK	:	China Merchants Holdings (0144) – Final results Tsingtao Brewery (0168) – Final results TPV Technology (0903) – Final results
	US	:	ISM Manufacturing Index - March Pending Home Sales Index - February
4 th April 2006 (Tuesday)	HK	:	Shangri-La Asia (0069) – Final results Weiqiao Textile (2698) – Final results
	US	:	No major announcement
5 th April 2006 (Wednesday)	HK	:	Public Holiday
	US	:	ISM Non Manufacturing Index – March
6 th April 2006 (Thursday)	HK	:	China Resources Enterprise (0291) – Final results SCMP Group (0583) – Final results ZTE Corporation (0763) – Final results China Construction Bank (0939) – Final Results
	US	:	Initial Jobless Claims – week ended 1 st April 2006
7 th April 2006 (Friday)	HK	:	Jiangsu Expressway (0177) – Final Results COFCO International (0506) – Final Results Xiwang Sugar Holdings (2088) – Final Results BAOYE Group (2355) – Final Results
	US	:	Employment Situation – March Consumer Credit – February

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