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HONG KONG RESEARCH

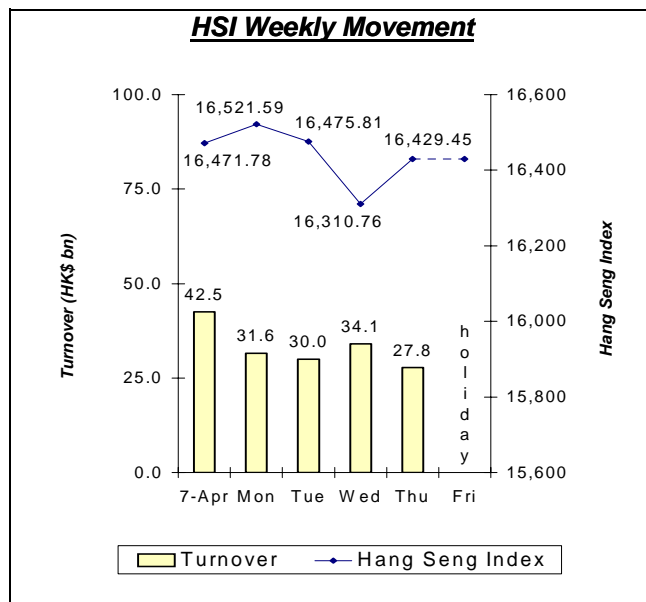
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Weekly Report

13th April 2006

Broad market was down except MTRC



Weekly Market Statistics				
Week ended	13/04/2006	07/04/2006	Change	%
Hang Seng Index	16,429.45	16,471.78	-42.33	-0.3%
HS Red Chip Index	2,350.39	2,351.36	-0.97	-0.0%
HS China Enterprises Index	6,776.86	6,898.94	-122.08	-1.8%
HS Composite Index	2,222.56	2,232.52	-9.96	-0.4%
HS HK Composite Index	2,186.38	2,191.18	-4.80	-0.2%
HS Mainland Composite Index	2,295.78	2,313.21	-17.43	-0.8%
S&P/HKEx GEM Index	1,311.12	1,328.74	-17.62	-1.3%
Avg Daily Turnover (HK\$ bn)	30.86	35.04	-4.18	-11.9%
Sectoral Indices				
Finance	28,163.65	28,212.39	-48.74	-0.2%
Utilities	33,308.07	33,361.70	-53.63	-0.2%
Properties	20,114.26	20,293.10	-178.84	-0.9%
Comm & Ind	8,190.64	8,205.95	-15.31	-0.2%

Review & Outlook of Market Performance

A consolidation following last week's hefty gains and ahead of the long Easter holidays pulled back the Hong Kong stock market. The HSI finished down 42.33 points, or 0.26% w-o-w, at 16,429.45. Average daily turnover was HK\$30.86 billion.

MTRC was in the limelight, soaring 10.05% w-o-w to HK\$20.8 after the Government unveiled the long-awaited merger deal with Kowloon-Canton Railway Corp (KCRC). Under the proposed deal, MTRC will lease the rail network and buy property assets from KCRC, without assuming any debts and liabilities. In return, MTRC will pay upfront HK\$4.25 billion for the service concession and HK\$7.79 billion for the property package and HK\$750 million annually over a 50-year lease term. The deal could take effect next summer provided that it gets approvals from the Legislative Council and MTRC's minority shareholders. Meanwhile, Citic Pacific and Swire Pacific also grabbed investor attention as the two parties are in talks on the possible restructuring of their cross-shareholdings on Cathay Pacific Airways and Dragonair. Citic Pacific, which plans to cut its stake in the two airlines, rose by 5.50% w-o-w to HK\$27.8, while Swire Pacific gained 1.45% w-o-w to HK\$80.5 on news that its 46.3%-owned Cathay Pacific might sell its 17.8% stake in Dragonair in exchange for better flight opportunities in the mainland.

The H-share index edged down 1.77% w-o-w at 6,776.86, hit by profit taking on recent outperformers Ping An Insurance, which fell 5.86% w-o-w to HK\$21.7, and China Life Insurance, which dropped 4.31% w-o-w to HK\$10. Investors also turned cautious on mainland lenders despite China Construction Bank's 2005 announced a slightly better-than-expected earnings. Shares of China Construction Bank shed 1.44% w-o-w to HK\$3.425, while shares of Bank of Communications skid 2.04% w-o-w to HK\$4.8. Meanwhile, car makers aroused rotational interest on strong March sales data. Brilliance China Automotive jumped 20.66% w-o-w to HK\$1.46 and Denway Motors jumped 6.06% w-o-w to HK\$3.5.

The market next week will be closely watching key economic data due out from the US, such as PPI and CPI, for clues as to the Fed's future interest-rate movements. The HSI is likely to trade between 16,250 and 16,600.

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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 13th April	11,129.97	2,314.68	17,199.15	2,544.38	936.24	755.43	6,855.74
7th April	11,120.04	2,339.02	17,563.37	2,552.05	943.71	770.33	6,781.94
Change	+9.93	-24.34	-364.22	-7.67	-7.47	-14.90	+73.80
%	+0.1%	-1.0%	-2.1%	-0.3%	-0.8%	-1.9%	+1.1%

Remark (*): Closing price as of 12th April 2006**Major Changes in Index Constituent Stocks (Week ended 13th April 2006)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @13/04/06	W-O-W Change		Remarks / Comments
			Absolute	%	
MTRC	0066	HK\$20.8	+HK\$1.9	+10.05%	Investors reacted positively to the company's HK\$12 billion merger deal with KCRC.
Yue Yuen Industrial	0551	HK\$23.6	-HK\$1.2	-4.84%	Yue Yuen's second-largest shareholder, the family of chairman Tsai Chi-neng, scrapped a HK\$1.3 billion share placement plan, as it could not reach agreement with the underwriter on the placement terms.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @13/04/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	HK\$3.125	+HK\$0.35	+12.61%	The company budgets RMB9.2 billion for capital expenditure this year, of which 80% will be used to increase production capacity of thin plate, a high-margin product.
Jiangsu Expressway	0177	HK\$4.6	-HK\$0.7	-13.21%	Jiangsu Expressway reported a 32% slump in 2005 net profit to RMB 668 million, which fell below the market consensus.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @13/04/06	W-O-W Change		Remarks / Comments
			Absolute	%	
CNPC (Hong Kong)	0135	HK\$4.275	+HK\$1.1	+34.65%	CNPC's net profit jumped nearly 4-fold in 2005, thanks to record oil prices.

Indicator	Change/Index	Comments
Trade Balance – February	US\$65.7 billion deficit	The trade deficit narrowed 4.1% from US\$68.6 billion in January, led by a decline in Chinese imports. However, the trade gap was still the third highest on record, suggesting that the annual trade deficit could surpass last year's US\$723.6 billion.

17 th April 2006 (Monday)	HK US	:	Public Holiday – Easter Monday Citigroup Inc – Q1 results
18 th April 2006 (Tuesday)	HK US	:	Regal Hotels International Holdings (0078) – Final results GZI Real Estate Investment Trust (0405) – Final results Air China (0753) – Final results Lianhua Supermarket Holdings (0980) – Final results China Life Insurance (2628) – Final results China Shipping Container Lines (2866) – Final results Xiamen Port Development (3378) – Final results Housing Starts – March Producer Price Index – March FOMC minutes – 28th March 2005 meeting IBM – Q1 results Johnson & Johnson – Q1 results Merrill Lynch & Co – Q1 results Motorola Inc – Q1 results Texas Instruments Inc – Q1 results
19 th April 2006 (Wednesday)	HK US	:	Kingway Brewery Holdings (0124) – Final results Denway Motors (0203) – Final results Jiangxi Copper (0358) – Final results GZI Transport (1052) – Final results China Southern Airlines (1055) – Final results Consumer Price Index – March Apple Computer Inc – Q2 results Coca-Cola Co – Q1 results Intel Corp – Q1 results JPMorgan & Chase Co – Q1 results Pfizer Inc – Q1 results
20 th April 2006 (Thursday)	HK US	:	Unemployment Rate – March Great Eagle Holdings (0041) – Final results China Merchants China Direct Inv. (0133) – Final results Luen Thai Holdings (0311) – Final results Dynasty Fine Wines Group (0828) – Final results Tianjin Development Holdings (0882) – Final results Xiniao Gas Holdings (2688) – Final results Initial Jobless Claims – week ended 15 th April 2006 Bank of America Corp – Q1 results General Motors Corp – Q1 results Google Inc – Q1 results Merck & Co Inc – Q1 results
21 st April 2006 (Friday)	HK US	:	Consumer Price Index – March Shanghai Industrial Holdings (0363) – Final results TCL Multimedia Technology Holdings (1070) – Final results Brilliance China Automotive Holdings (1114) – Final results PICC Property and Casualty (2328) – Final results 3M Co – Q1 results Ford Motor Co – Q1 results

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