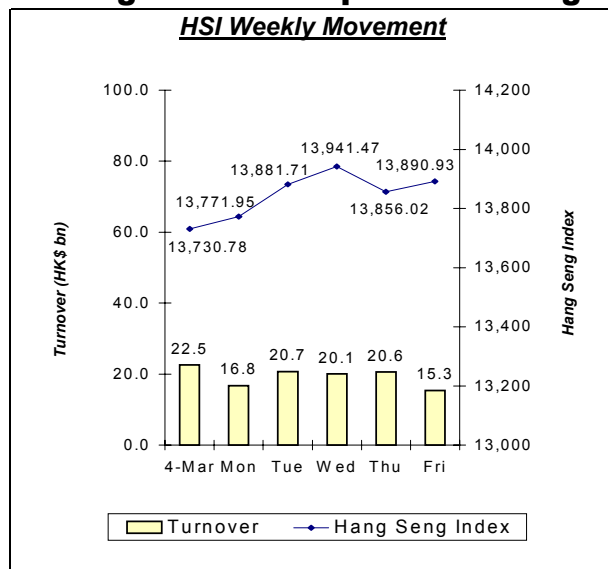


**HSI gained on corporate earnings and certainty re. Tung's resignation**


**Weekly Market Statistics**

| Week ended                   | 11/03/2005 | 04/03/2005 | Change  | %      |
|------------------------------|------------|------------|---------|--------|
| Hang Seng Index              | 13,890.93  | 13,730.78  | +160.15 | +1.2%  |
| HS Red Chip Index            | 1,575.50   | 1,539.19   | +36.31  | +2.4%  |
| HS China Enterprises Index   | 5,004.24   | 4,951.57   | +52.67  | +1.1%  |
| HS Composite Index           | 1,813.11   | 1,792.88   | +20.23  | +1.1%  |
| HS HK Composite Index        | 1,906.57   | 1,891.24   | +15.33  | +0.8%  |
| HS Mainland Composite Index  | 1,634.68   | 1,604.10   | +30.58  | +1.9%  |
| S&P/HKEx GEM Index           | 1,005.29   | 980.49     | +24.80  | +2.5%  |
| Avg Daily Turnover (HK\$ bn) | 18.71      | 24.06      | -5.35   | -22.3% |
| <b>Sectoral Indices</b>      |            |            |         |        |
| Finance                      | 27,307.05  | 27,261.73  | +45.32  | +0.2%  |
| Utilities                    | 30,677.38  | 30,414.11  | +263.27 | +0.9%  |
| Properties                   | 16,846.94  | 16,530.89  | +316.05 | +1.9%  |
| Comm & Ind                   | 6,065.76   | 5,942.63   | +123.13 | +2.1%  |

**Review & Outlook of Market Performance**

Hong Kong market posted a modest gain this week on strong corporate earnings and removal of political uncertainty after Chief Executive Tung Chee-hwa publicly announced his resignation on Thursday. HSI closed up 160.15 points, or 1.2% w-o-w at 13,890.93. Average daily turnover dropped to HK\$18.71 billion from HK\$24.06 billion last week.

Earlier in the week, major bankers commented that local banks might need to raise prime rates later this month in response to the rising HIBOR. In fact, decline of the aggregate balance of inter-bank liquidity during the past few weeks have prompted speculation on an imminent rate hike. This belief was reinforced by the sharp rise of U.S. bond yields during the week with yield of the 10 year UST closed the week to a 7 month high of 4.54%. Investors initially responded by selling the interest rate sensitive property counters. However, selling pressure was not heavy and bargain hunting emerged as strong corporate results of mid-tier banks (Wing Hang Bank and CIFH), property investment companies (Hysan, Great Eagle and Kerry Properties) and Cathay Pacific (0267) helped boost up the market sentiment.

Oil sector also captured market attention during the week as oil prices had shot through the US\$54 level and closed the week at US\$54.55, about a dollar away from its historical high of US\$55.67. Major brokerage houses turned bullish on long-term oil prices and revised upwards their earnings forecasts of major oil counters such as CNOOC (0883) and PetroChina (0857). CNOOC (0883) edged up 0.60% w-o-w to close at HK\$4.40 after reaching a historical high of HK\$4.60 while its oil drilling arm China Oilfield Services (2883) surged 4.55% w-o-w to close at HK\$2.875. PetroChina (0857) was up 2.60% w-o-w to close at HK\$4.85. HSCEI gained 52.67 points, or 1.1% w-o-w to 5,004.24 while HSCCI closed up 2.4% to 1,575.50 as buoyed by the oil stocks.

Looking ahead, the impact of corporate result announcements on the market is likely to diminish as investors start leaving FY2004 behind to focus on the prospects of FY2005 and beyond. HSBC and Hang Seng Bank will become ex-dividend on 16<sup>th</sup> March 2005 and the market should consolidate around 13,800 on the near term possible rate hike.

**US & Regional Markets Weekly Update**

| Date                  | US<br>Dow Jones | US<br>NASDAQ | JAPAN<br>Nikkei Avg | SINGAPORE<br>STI | MALAYSIA<br>KLSE Index | BANGKOK<br>SET Index | TAIPEI<br>Weighted Index |
|-----------------------|-----------------|--------------|---------------------|------------------|------------------------|----------------------|--------------------------|
| Week to<br>11th March | 10,774.36       | 2,041.60     | 11,923.89           | 2,169.41         | 901.45                 | 710.98               | 6,204.23                 |
| 4th March             | 10,940.55       | 2,070.61     | 11,873.05           | 2,154.55         | 885.33                 | 728.42               | 6,193.62                 |
| <b>Change</b>         | -166.19         | -29.01       | +50.84              | +14.86           | +16.12                 | -17.44               | +10.61                   |
| <b>%</b>              | -1.5%           | -1.4%        | +0.4%               | +0.7%            | +1.8%                  | -2.4%                | +0.2%                    |

**Major Changes in Index Constituent Stocks (Week ended 11<sup>th</sup> March 2005)****Hang Seng Index (HSI)**

| Stock          | Stock Code | Closing Price<br>@11/03/05 | W-O-W Change |        | Remarks / Comments   |
|----------------|------------|----------------------------|--------------|--------|--|
|                |            |                            | Absolute     | %      |  |
| Lenovo         | 0992       | HK\$2.50                   | +HK\$0.20    | +8.70% | The company has received clearance from a U.S. national security committee to proceed with its planned US\$1.25 billion purchase of IBM's PC assets. |
| Cathay Pacific | 0267       | HK\$22.90                  | +HK\$1.05    | +4.81% | The company reported a 239% jump in FY04 net profit on new records of passenger and cargo volume.  |

**Hang Seng China Enterprises Index (HSCEI)**

| Stock                  | Stock Code | Closing Price<br>@11/03/05 | W-O-W Change |         | Remarks / Comments   |
|------------------------|------------|----------------------------|--------------|---------|--|
|                        |            |                            | Absolute     | %       |  |
| CSCCL                  | 2866       | HK\$3.80                   | +HK\$0.35    | +10.14% | The counter announced a 191% growth of its FY04 net profit driven by strong demand of Chinese exports. The counter is trading at 5 to 6 times its forecast FY05 earnings as compares with over 10 times of the industry average. |
| Shanghai Petrochemical | 0338       | HK\$3.475                  | +HK\$0.225   | +6.92%  | The company has expanded its crude oil processing capacity by 60% that would help improving profit margins.  |

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

| Stock            | Stock Code | Closing Price<br>@11/03/05 | W-O-W Change |        | Remarks / Comments   |
|------------------|------------|----------------------------|--------------|--------|--|
|                  |            |                            | Absolute     | %      |  |
| Brilliance China | 1114       | HK\$1.56                   | -HK\$0.10    | -6.02% | A new round of price competition is expected after Ford's PRC joint venture announced a price cut on two new models. |



**Summary of US Economic News**

| Indicator   | Change/Index      | Comments  |
|---|-------------------|---|
| January Consumer Credit                                   | +US\$11.5 billion | The increase was higher than the consensus forecast (+US\$5.0 billion) and the December revised figure (+US\$8.7 billion).  |
| Initial Jobless Claims – Week ended 5 <sup>th</sup> March | +17k              | The increase was above market consensus (+2k). The 4-week moving average was 312,500, an increase of 5,750 from the previous week's revised average of 306,750.         |
| January Trade Deficit                                     | US\$58.27 billion | The figure exceeded consensus forecast of US\$56 billion and was the second highest level in record due to a surge of cars, electronics and textile imports from China. |

**Forthcoming Important Announcements / Events**

|   |              |  |
|---|--------------|--|
| 14 <sup>th</sup> March 2005 (Monday)    | HK<br>US     | :<br>: China Power International Development (2380) – Final results<br>: No Important Announcements/Events   |
| 15 <sup>th</sup> March 2005 (Tuesday)   | HK<br><br>US | :<br>: <b>The Wharf Holdings (Limited) (0004) – Final results</b><br>: <b>New World Development (0017) – Interim results</b><br>: <b>CITIC Pacific Limited (0267) – Final results</b><br>: <b>Dah Sing Financial Holdings Limited (0440) – Final results</b><br>: <b>PetroChina Company Limited (0857) – Final results</b><br>: <b>Huaneng Power International (0902) – Final results</b><br>: <b>Dah Sing Banking Group Limited (2356) – Final results</b><br>: February Retail and Food Sales<br>: January Business Inventories  |
| 16 <sup>th</sup> March 2005 (Wednesday) | HK<br><br>US | :<br>: Budget Speech by Financial Secretary<br>: GDP – Q4<br>: Angang New Steel Company Limited (0347) – Final results<br>: February Housing Starts<br>: Fourth Quarter Current Account Gap<br>: February Industrial Production<br>: February Capacity Utilization<br>: Bear Stearns (BSC) – Q1 results  |
| 17 <sup>th</sup> March 2005 (Thursday)  | HK<br><br>US | :<br>: <b>Henderson Land Development (0012) – Interim results</b><br>: <b>Henderson Investment Limited (0097) – Interim results</b><br>: <b>Sino Land Company Limited (0083) – Interim results</b><br>: Guangshen Railway Company Limited (0525) – Final results<br>: Anhui Expressway Company Limited (0995) – Final results<br>: Cheung Kong Infrastructure Holdings Limited (1038) – Final results<br>: Initial Jobless Claims – Week Ended 12 <sup>th</sup> March<br>: February Leading Indicators<br>: Fedex (FDX) – Q3 results<br>: <b>Goldman Sachs (GS) – Q1 results</b><br>: <b>Morgan Stanley (MWD) – Q1 results</b><br>: <b>Nike (NKE) – Q3 results</b> |
| 18 <sup>th</sup> March 2005 (Friday)    | HK<br><br>US | :<br>: Industrial Production – Q4<br>: Producer Price Index – Q4<br>: February Import Prices<br>: Mid-March Univ. of Michigan Consumer Sentiment Index   |