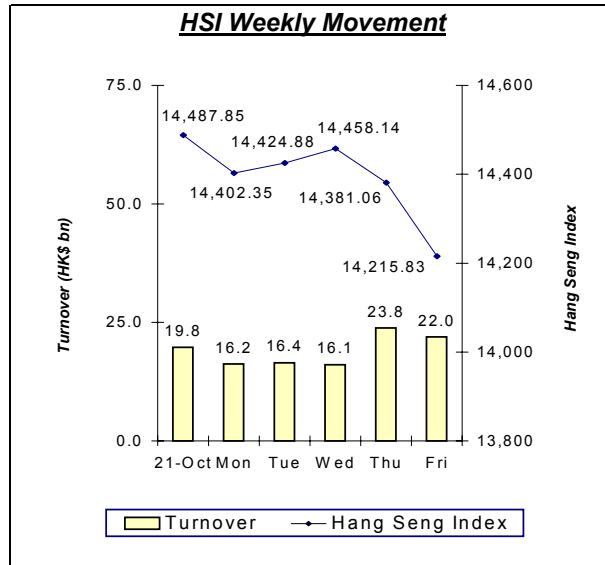




The stock market soured on bird flu scare



Weekly Market Statistics

| Week ended | 28/10/2005 | 21/10/2005 | Change | % |
|------------------------------|------------|------------|---------|-------|
| Hang Seng Index | 14,215.83 | 14,487.85 | -272.02 | -1.9% |
| HS Red Chip Index | 1,785.70 | 1,832.28 | -46.58 | -2.5% |
| HS China Enterprises Index | 4,712.50 | 4,877.51 | -165.01 | -3.4% |
| HS Composite Index | 1,819.08 | 1,860.32 | -41.24 | -2.2% |
| HS HK Composite Index | 1,873.99 | 1,908.96 | -34.97 | -1.8% |
| HS Mainland Composite Index | 1,721.33 | 1,775.17 | -53.84 | -3.0% |
| S&P/HKEx GEM Index | 938.88 | 960.65 | -21.77 | -2.3% |
| Avg Daily Turnover (HK\$ bn) | 18.91 | 17.79 | +1.12 | +6.3% |
| Sectoral Indices | | | | |
| Finance | 25,792.78 | 25,916.08 | -123.30 | -0.5% |
| Utilities | 30,895.86 | 31,061.50 | -165.64 | -0.5% |
| Properties | 17,374.89 | 17,985.27 | -610.38 | -3.4% |
| Comm & Ind | 6,706.29 | 6,905.54 | -199.25 | -2.9% |

Review & Outlook of Market Performance

The Hong Kong stock market soured following a mixed performance on Wall Street and on concerns about the spread of bird flu and further rate rises. The HSI lost 272.02 points, or 1.88% w-o-w, to 14,215.83. Average daily turnover was HK\$18.91 billion.

Outbreaks of bird flu in Hunan province, which is in proximity to Guangdong province, raised the risk of a contagious infection to Hong Kong. Fears of a dent in travel demand drove a sell-off of tourism-related stocks such as hotels, airlines and retailers. Shangri-La Asia fell 8.77% w-o-w to HK\$10.4 and Regal Hotels dropped 5.56% w-o-w to HK\$0.51; Cathay Pacific dropped 6.59% w-o-w to HK\$12.05, China Southern Airlines slipped 6.99% w-o-w to HK\$1.93 and Air China erased 3.09% w-o-w to HK\$2.35. Chow Sang Sang tumbled 10.85% w-o-w to HK\$2.875 and Sa Sa International plunged 9.76% to HK\$2.775. On the other hand, drug maker China Pharmaceutical Group had rallied as much as 24.63% earlier in the week before profit taking pulled it down to finish 3.73% w-o-w lower at HK\$1.29.

Lingering worries about a looming interest rate rise continued to undermine property stocks. Leading the fall was Wharf, which closed down 6.16% w-o-w at HK\$25.9, and Sino Land, which gave up 5.98% at HK\$8.65. Hang Lung Properties fared a bit better, drifting 1.29% w-o-w lower at HK\$11.45.

Sluggish market conditions pushed China Construction Bank to a flat performance since its debut trading on Thursday, closing at its offer price of HK\$2.35. The aggressive pricing of the bank's share near the top end of the indicative price range capped demand from both retail and institutional investors. Meanwhile, another newcomer Tradelink Electronic Commerce managed to gain 7.20% (to close HK\$1.34) from its offer price of HK\$1.25 in its first trading day on Friday.

Looking ahead, the US Federal Reserve is widely expected to raise rates by another 25 basis points at the FOMC meeting next Tuesday, 1st November. More of the focus will be on the tone of the Fed's brief statement for hints on the pace of interest rate rises. The HSI is likely to trade between 14,150 and 14,500.

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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 | | | | | | | |
| 28th October | 10,402.77 | 2,089.88 | 13,346.54 | 2,192.41 | 905.79 | 682.25 | 5,632.97 |
| 21st October | 10,215.22 | 2,082.21 | 13,199.95 | 2,239.36 | 909.58 | 686.21 | 5,738.76 |
| Change | +187.55 | +7.67 | +146.59 | -46.95 | -3.79 | -3.96 | -105.79 |
| % | +1.8% | +0.4% | +1.1% | -2.1% | -0.4% | -0.6% | -1.8% |

Major Changes in Index Constituent Stocks (Week ended 28th October 2005)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @28/10/05 | W-O-W Change | | Remarks / Comments |
|---------------|------------|----------------------------|--------------|--------|--|
| | | | Absolute | % | |
| Denway Motors | 0203 | HK\$2.25 | -HK\$0.2 | -8.16% | Denway Motors was under pressure after its domestic peer Dongfeng Motor set to launch its US\$500 million listing in Hong Kong next month. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @28/10/05 | W-O-W Change | | Remarks / Comments |
|---------------------|------------|----------------------------|--------------|---------|---|
| | | | Absolute | % | |
| Yanzhou Coal Mining | 1171 | HK\$4.975 | -HK\$0.675 | -11.95% | Yanzhou Coal Mining posted a 55.1% y-o-y plunge in third-quarter net profit to RMB384.6 million due to lower output and higher raw material costs. Gross profit margin declined to 47.0% from 58.9% in the second half. |
| ZTE Corp | 0763 | HK\$22.2 | -HK\$3.25 | -12.77% | ZTE Corp's third-quarter net profit fell 27.4% y-o-y to RMB154.8 million, as weak capital spending by telecoms companies outweighed strong exports. |
| Angang New Steel | 0347 | HK\$4.225 | +HK\$0.2 | +4.97% | Angang New Steel would pay for an acquisition from its parent in A shares and cash, scrapping a previous proposal that would have included the issuance of new H shares. |

Hang Seng China-Affiliated Corporation Index (HSCCI)

| Stock | Stock Code | Closing Price @28/10/05 | W-O-W Change | | Remarks / Comments |
|-----------------|------------|----------------------------|--------------|---------|---|
| | | | Absolute | % | |
| China Travel HK | 0308 | HK\$1.53 | -HK\$0.23 | -13.07% | The bird flu scare led to a sharp decline in travel-related stocks. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|---|---------------|---|
| Consumer Confidence – October | 85.0 | Consumer confidence fell this month to 85.0 from 87.5 last month, coming in lower than estimates and falling to a 2-year low. |
| Existing Home Sales – September | 7.28 million | Existing home sales showed an annual rate of 7.28 million in September, matching August's pace and topping forecasts. |
| Durable Goods Orders – September | -2.1% | Durable goods orders fell more than forecast in September because of slowing demand for aircraft, computers and electronic equipment. |
| Initial Jobless Claims – week ended 22 nd October 2005 | 328,000 | Initial jobless claims dropped 28,000 last week from the prior week's 356,000. |
| New Home Sales – September | 1.222 million | New home sales rose 2.1% in September, suggesting that rising mortgage rates have yet to dampen the housing market. |
| GDP – Q3 | +3.8% | Economic growth quickened to a 3.8% annual rate in the third quarter, more than forecast and supporting the view of Federal Reserve that the economy is withstanding higher energy costs. |
| Consumer Sentiment – October | 74.2 | Consumer sentiment softened to 74.2 in October from 76.9 last month. |

Forthcoming Important Announcements / Events

| | | |
|---|----------|---|
| 31 st October 2005 (Monday) | HK US | : Money Supply – September : Personal Income and Outlays – August : Kellogg Co – Q3 results : Sysco Corp – Q1 results |
| 1 st November 2005 (Tuesday) | HK US | : Lenovo Group (0992) – Interim results : FOMC Meeting : Construction Spending – September : ISM Manufacturing Index – October : Viacom Inc – Q3 results |
| 2 nd November 2005 (Wednesday) | HK US | : No Important Announcement / Event : Prudential Financial Inc – Q3 results : Qualcomm Inc – Q4 results : Time Warner Inc – Q3 results |
| 3 rd November 2005 (Thursday) | HK US | : No Important Announcement / Event : Productivity and Costs – Q3 : Initial Jobless Claims – week ended 29 th October 2005 : Factory Orders – September : ISM Non-Manufacturing Index – October : Aon Corp – Q3 results |
| 4 th November 2005 (Friday) | HK US | : No Important Announcement / Event : Nonfarm Payrolls – October : Unemployment Rate – October : TECO Energy Inc – Q3 results |