



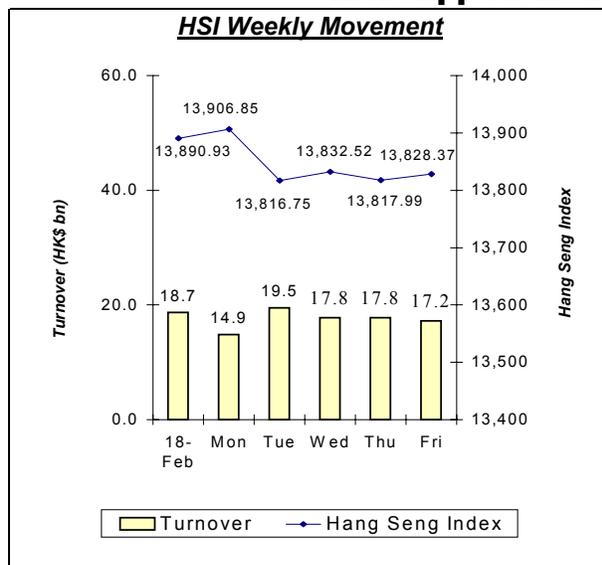
Restricted circulation

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Weekly Report

19<sup>th</sup> March 2005

### HSI slipped after HSBC ex-dividend



<b>Weekly Market Statistics</b>				
Week ended	18/03/2005	11/03/2005	Change	%
Hang Seng Index	13,828.37	13,890.93	-62.56	-0.5%
HS Red Chip Index	1,584.89	1,575.50	+9.39	+0.6%
HS China Enterprises Index	4,957.59	5,004.24	-46.65	-0.9%
HS Composite Index	1,803.37	1,813.11	-9.74	-0.5%
HS HK Composite Index	1,891.53	1,906.57	-15.04	-0.8%
HS Mainland Composite Index	1,635.81	1,634.68	+1.13	+0.1%
S&P/HKEx GEM Index	982.79	1,005.29	-22.50	-2.2%
Avg Daily Turnover (HK\$ bn)	17.43	18.70	-1.28	-6.8%
<b>Sectoral Indices</b>				
Finance	26,888.42	27,307.05	-418.63	-1.5%
Utilities	30,385.94	30,677.38	-291.44	-1.0%
Properties	16,826.86	16,846.94	-20.08	-0.1%
Comm & Ind	6,106.61	6,065.76	+40.85	+0.7%

### Review & Outlook of Market Performance

Hong Kong stocks ended softer over the week, mainly due to ex-dividend effect of index heavyweight HSBC Holdings. Excluding the impact, the HSI would have ended flat w-o-w. Meanwhile, investors were cautious ahead of the FOMC meeting next Tuesday. It is expected that the US rate-setting committee would raise the benchmark fed funds rate target by 25bps. Hang Seng Index closed the week at 13,828.37, down 62.56 points or 0.5% w-o-w. Average daily turnover for the week was HK\$17.43 billion, down slightly from that of HK\$18.70 billion during the previous week.

Major listed mainland companies continued to deliver their earnings report over the week. PetroChina, the mainland's largest oil producer, reported a strong 47.9% rise in net profit to a record RMB102.9 billion in 2004 on surging crude oil prices. PetroChina, the top gainer among HSCEI constituents, jumped 3.09% w-o-w to HK\$5.00 and helped offset most of the losses among others in the H-share index. Meanwhile, New York crude oil tested a fresh record high of US\$57.60 per barrel, also lending support to the oil counters. Over the week, 31 out of the 38 members of the HSCEI ended in negative territories. Only 3 of the remaining closed higher, which included PetroChina, Sinopec (+0.74% w-o-w) and Guangshen Railway (+1.69% w-o-w).

During the week, Financial Secretary Henry Tang unveiled the 2005/06 Budget, which showed that a HK\$12 billion surplus was reported in the last fiscal year and the local economy is expected to grow by 4.5%-5.5% in 2005. Meanwhile, major banks in HK said on Friday evening to hike prime interest rate by 0.25% to 5.25% effective next Monday, in response to rising HIBOR since the beginning of the year.

The trading sessions next week would be shortened by the Good Friday holiday. However, investors would stay busy amid the FOMC meeting on Tuesday and results from several big caps, including BOC Hong Kong, China Unicom, Sinopec, etc. Meanwhile, the market would be also watchful to see whether banks in HK would further raise their HKD prime rates, following an expected rate hike in the US next week. Technically, HSI remained weak in the short term, as it failed to sustain above the 14-day moving average. Resistance of HSI is seen near 14,000 while support is expected near 13,600.

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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							
18th March	10,629.67	2,007.79	11,879.81	2,174.49	894.00	711.40	6,043.95
11th March	10,774.36	2,041.60	11,923.89	2,169.41	901.45	710.98	6,204.23
<b>Change</b>	-144.69	-33.81	-44.08	+5.08	-7.45	+0.42	-160.28
<b>%</b>	-1.3%	-1.7%	-0.4%	+0.2%	-0.8%	+0.1%	-2.6%

**Major Changes in Index Constituent Stocks (Week ended 18<sup>th</sup> March 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @18/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Swire Pacific	0019	HK\$66.25	+HK\$2.00	+2.32%	Media had reported Cathay may take over rival DragonAir, while Cathay's parent Swire may swap its stake in Cathay for a substantial holding in Air China (0753) to gain control of the mainland's largest international carrier. However, the report was denied by the three parties, as Swire claimed it is committed to be the principal shareholder in Cathay.
Cathay Pacific Airways	0293	HK\$14.90	+HK\$0.45	+3.11%	

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

Stock	Stock Code	Closing Price @18/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$5.00	+HK\$0.15	+3.09%	Crude oil futures price touched US\$57.60 per barrel on Thursday, a high not seeing since 01/11/2004. Meanwhile, the oil giant reported a 47.9% in 2004 net profit, beating market expectations.

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

Stock	Stock Code	Closing Price @18/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$6.35	-HK\$0.45	-6.62%	Merrill Lynch reduced Unicom's profit estimate during the week, the seventh of such earnings downgrades in March. The counter will release its 2004 final results next Thursday.



**Summary of US Economic News**

Indicator	Change/Index	Comments
Retail sales – February	+0.5%	Retail sales rose 0.5% m-o-m in Feb, slightly lower than the consensus forecast of 0.6%.
Industrial production – February	+0.3%	Industrial output rose 0.3% in Feb, against consensus forecast of 0.4%, while capacity utilization rate was 79.4%, higher than the expected 79.2%.
Current account balance – Q4 2004	-\$187.9 billion	US reported a record current account deficit of US\$187.9 billion in Q4 2004, bringing the 2004 full-year gap to a new high at US\$665.9 billion.
Initial jobless claims – the week ended 5 <sup>th</sup> February 2005	318,000	Initial jobless claims fell 10,000 over the week, largely in line with market expectations.
Index of leading indicators - February	115.6	The index rose 0.1% in Feb, suggesting a continued economic expansion, but perhaps at a slower pace.
University of Michigan consumer sentiments – March	92.9	The index was down from 94.1 in February, showing weaker sentiments among US consumers

**Forthcoming Important Announcements / Events**

21 <sup>st</sup> March 2005 (Monday)	HK	:	<b>Asia Financial (0662) – final results</b> <b>China Overseas (0688) – final results</b> Hutchison Harbour Ring (0715) – final results IPE Group (0929) – final results
22 <sup>nd</sup> March 2005 (Tuesday)	HK	:	Anhui Conch Cement (0914) – final results Beijing Capital International Airport (0694) – final results Beijing Capital Land (2868) – final results <b>China Merchants Holdings (0144) – final results</b> Giordano International (0709) – final results Hainan Meilan International Airport (0357) – final results Huadian Power (1071) – final results <b>Li &amp; Fung (0494) – final results</b> Shanghai Land Holdings (0067) – final results Singmas Container Holdings (0716) – final results Sinotrans (0598) – final results CPI – February 2005 Employment statistics – December 2004
	US	:	<b>FOMC Meeting Announcement</b> Producer price index – January 2005
23 <sup>rd</sup> March 2005 (Wednesday)	HK	:	<b>BOC Hong Kong (2388) – final results</b> Chaoda Modern (0682) – final results China Insurance (0966) – final results CNAC (1110) – final results Ports (0589) – final results Shanghai Petrochemical (0338) – final results Tom Group (2383) – final results <b>TVB (0511) – final results</b>
	US	:	<b>Consumer price index – February 2005</b> Existing home sales – February 2005
24 <sup>th</sup> March 2005 (Thursday)	HK	:	Aeon Stores (0984) – final results BYD Company (1211) – final results China Unicom (0762) – final results IRICO (0438) – final results
	US	:	Initial jobless claims – week ended 19 <sup>th</sup> March 2005 Durable goods orders – February 2005 New home sales – February 2005
25 <sup>th</sup> March 2005 (Friday)	HK	:	Good Friday Holiday Sinopec Corp (0386) – final results
	US	:	Good Friday Holiday