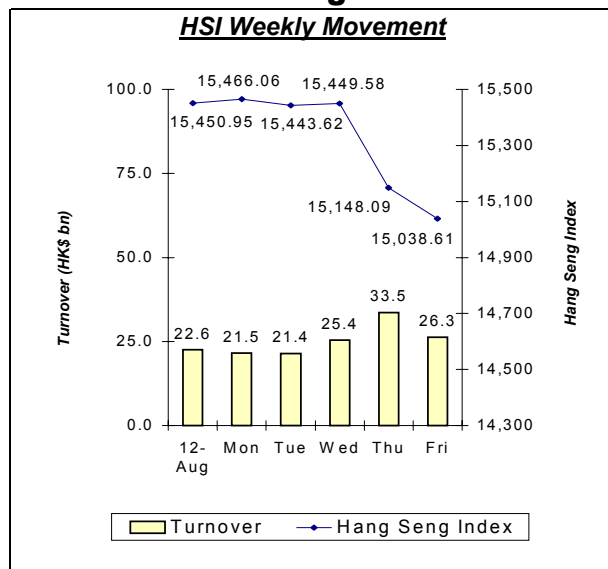


Profit taking in oil counters triggered a widespread sell-off



Weekly Market Statistics				
Week ended	19/08/2005	12/08/2005	Change	%
Hang Seng Index	15,038.61	15,450.95	-412.34	-2.7%
HS Red Chip Index	1,871.65	1,954.18	-82.53	-4.2%
HS China Enterprises Index	5,200.75	5,481.99	-281.24	-5.1%
HS Composite Index	1,940.34	1,993.31	-52.97	-2.7%
HS HK Composite Index	1,998.89	2,039.42	-40.53	-2.0%
HS Mainland Composite Index	1,835.55	1,914.85	-79.30	-4.1%
S&P/HKEx GEM Index	920.33	936.56	-16.23	-1.7%
Avg Daily Turnover (HK\$ bn)	25.62	22.65	+2.97	+13.1%
Sectoral Indices				
Finance	27,171.12	27,846.96	-675.84	-2.4%
Utilities	31,226.09	31,231.58	-5.49	-0.0%
Properties	18,878.87	19,223.43	-344.56	-1.8%
Comm & Ind	7,116.19	7,370.08	-253.89	-3.4%

Review & Outlook of Market Performance

Heavy profit taking in oil counters following a retreat in oil prices triggered a widespread sell-off in the Hong Kong stock market. Reports of robust earnings from index components such as BOC Hong Kong and PCCW failed to provide any support. Hedging activities related to warrant issuers also accelerated the decline. The HSI lost 412.34 points, or 2.67% w-o-w, to close on Friday at 15,038.61. Average daily turnover increased to HK\$25.62 billion from last week's HK\$22.65 billion.

Investors heavily offloaded their positions on CNOOC and PetroChina after the pair had risen more than 20% in the past month. CNOOC plunged from its intra-day high of HK\$6.10 to finish 9.09% w-o-w lower at HK\$5.50, while PetroChina tumbled 11.89% w-o-w to HK\$6.30. The weak sentiment in oil counters spilled over to other blue chips. Cheung Kong and Hutchison Whampoa, which outperformed the broader market in recent weeks amid expectations of solid interim reports due next Thursday, pared early gains to end down 2.70% w-o-w and 1.57% w-o-w at HK\$84.6 and HK\$78.15 respectively.

Banking stocks failed to immune from the sell-off. Notwithstanding BOC HK reported a forecast-beating first-half net profit growth of 16.8%, its shares eased 5.14% w-o-w to HK\$15.7 as investors looked beyond the interim results and instead focused on the operating outlook for the banking sector. Meanwhile, PCCW, which reported a 24.5% rise in first-half net profit, closed the week unchanged at HK\$5.15. PCCW has made a remarkable progress in reducing its churn rate and stabilising its core revenue.

The HSCEI was down 5.13% w-o-w to 5,200.75 as investors cashed in on big-cap oil stocks following recent rallies. Besides oil stocks, other raw material stocks also traded lower, with Yanzhou Coal Mining down 8.76% w-o-w to HK\$6.25 and Chalco down 8.16% w-o-w to HK\$4.5.

Looking ahead, earnings reports from Cheung Kong and Hutchison Whampoa are viewed as the next barometers for the market since the two firms together account for approximately 11% of the HSI weighting. After a week of consolidation and robust earnings reports so far, the two counters should see a pre-result run-up and help support the HSI back to the 15,200-point level.

**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							
19th August	10,559.23	2,135.56	12,291.73	2,286.36	925.54	680.83	6,158.94
12th August	10,600.31	2,156.90	12,261.68	2,303.20	937.04	681.95	6,350.90
Change	-41.08	-21.34	+30.05	-16.84	-11.50	-1.12	-191.96
%	-0.4%	-1.0%	+0.2%	-0.7%	-1.2%	-0.2%	-3.0%

Major Changes in Index Constituent Stocks (Week ended 19th August 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @19/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$5.5	-HK\$0.55	-9.09%	CNOOC, which had risen 29.4% in the past month, gave up some of those gains as oil prices eased.
Esprit Holdings	0330	HK\$57.8	-HK\$4.35	-7.00%	Investors took profit on the counter after it surged more than 7% to an intra-day high of HK\$63.0 in the past week on rising Euro.
China Unicom	0762	HK\$6.5	-HK\$0.30	-4.41%	China Unicom added 1.26 million users in July, its lowest number of additions in more than 3 years.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @19/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$6.3	-HK\$0.85	-11.89%	Investors cashed in on oil and other raw material counters following recent rallies initially triggered by the yuan appreciation.
Sinopec	0386	HK\$3.45	-HK\$0.25	-6.76%	
China Life Insurance	2628	HK\$6.15	+HK\$0.10	+1.65%	China Life Insurance is expected to report an interim net profit rise of more than 30% on bond investment gains and sales of more lucrative risk-type policies.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @19/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangzhou Investment	0123	HK\$0.75	+HK\$0.05	+7.14%	Guangzhou Investment is pushing ahead with plans to list a REIT in Hong Kong based on its HK\$2 billion Guangzhou commercial property portfolio.



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer Price Index – July	+0.5% m-o-m	CPI rose 0.5% in July, paced by surging fuel costs. Excluding energy and food, the core CPI was up 0.1%.
Housing Starts – July	2.042 million units	Housing starts fell 0.1% in July, but stronger than expected as construction of single-family homes surged.
Industrial Production – July	+0.1% m-o-m	Industrial production rose 0.1% in July, below the 0.5% gain the market had expected.
Producer Price Index – July	+1.0% m-o-m	PPI rose a larger-than-expected 1.0% in July after being unchanged in June. The core PPI was up 0.4%, above the forecasted gain of 0.1%.

Forthcoming Important Announcements / Events

22 nd August 2005 (Monday)	HK	:	Aluminum Corporation of China (2600) – Interim results CSCL (2866) – Interim results Bank of Communications (3328) – Interim results
23 rd August 2005 (Tuesday)	HK	:	CLP Holdings (0002) – Interim results QPL International Holdings (0243) – Final results ZTE Corporation (0763) – Interim results
	US	:	Existing Home Sales – July
24 th August 2005 (Wednesday)	HK	:	Consumer Price Index – July TravelSky Technology (0696) – Interim results Giordano International (0709) – Interim results Singamas Container Holdings (0716) – Interim results PetroChina (0857) – Interim results Anhui Conch Cement (0914) – Interim results Qingling Motors (1122) – Interim results
	US	:	Durable Goods Orders – July New Home Sales – July
25 th August 2005 (Thursday)	HK	:	Cheung Kong (Holdings) (0001) – Interim results Hutchison Whampoa (0013) – Interim results San Miguel Brewery Hong Kong (0236) – Interim results CITIC Pacific (0267) – Interim results Sinopec Shanghai Petrochemical (0338) – Interim results Shanghai Industrial Holdings (0363) – Interim results China Unicom (0762) – Interim results Huadian Power International (1071) – Interim results PICC Property & Casualty (2328) – Interim results
	US	:	Initial Jobless Claims – the week ended 20 th August 2005
26 th August 2005 (Friday)	HK	:	Gross Domestic Product – Q2 Shangri-La Asia (0069) – Interim results Sinopec (0386) – Interim results Sinotrans (0598) – Interim results China Overseas Land & Investment (0688) – Interim results Beijing Capital International Airport (0694) – Interim results Skyworth Digital Holdings (0751) – Final results Anhui Expressway (0995) – Interim results Sinopec Yizheng Chemical Fibre (1033) – Interim results China Southern Airlines (1055) – Interim results China Shenhua Energy (1088) – Interim results Weichai Power (2338) – Interim results AviChina Industrial & Technology (2357) – Interim results Weiqiao Textile (2698) – Interim results Shanghai Electric Group (2727) – Interim results China State Construction Int'l Holdings (3311) – Interim results
	US	:	Consumer Sentiment – August