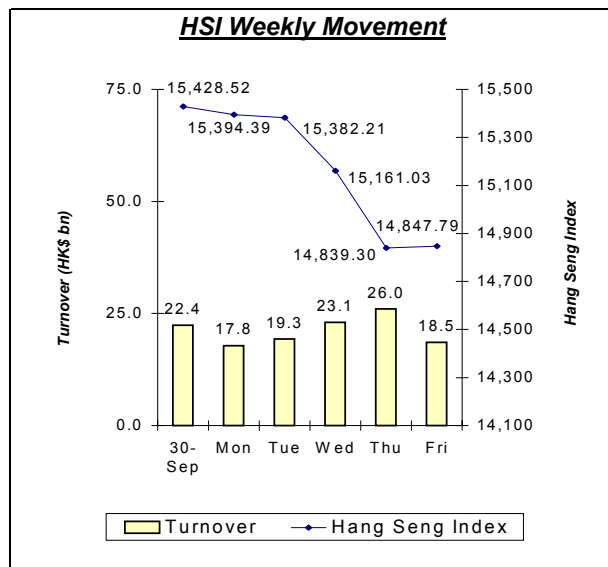


Jitters over interest rates hampered the market



<u>Weekly Market Statistics</u>				
Week ended	07/10/2005	30/09/2005	Change	%
Hang Seng Index	14,847.79	15,428.52	-580.73	-3.8%
HS Red Chip Index	1,884.03	2,017.78	-133.75	-6.6%
HS China Enterprises Index	5,055.08	5,227.28	-172.20	-3.3%
HS Composite Index	1,918.31	1,983.84	-65.53	-3.3%
HS HK Composite Index	1,967.42	2,014.57	-47.15	-2.3%
HS Mainland Composite Index	1,832.56	1,935.14	-102.58	-5.3%
S&P/HKEx GEM Index	975.23	1,007.58	-32.35	-3.2%
Avg Daily Turnover (HK\$ bn)	20.94	20.12	+0.82	+4.1%
Sectoral Indices				
Finance	26,557.32	27,072.54	-515.22	-1.9%
Utilities	31,648.00	31,933.11	-285.11	-0.9%
Properties	18,432.12	19,213.10	-780.98	-4.1%
Comm & Ind	7,083.32	7,504.06	-420.74	-5.6%

Review & Outlook of Market Performance

The Hong Kong stock market tracked losses on Wall Street after the ISM non-manufacturing index showed growth in the US services sector slowed more rapidly than expected last month. The growth renewed fears of the US Federal Reserve would continue its tightening campaign. The HSI lost 580.73 points, or 3.76% w-o-w, to 14,847.79. Average daily turnover was HK\$20.94 billion.

Comments from senior US Federal Reserve officials on the risk of inflation and the need for higher interest rates triggered heavy selling in property stocks. The release of last month's property sales, which declined for the 5th consecutive month, after the market close on Tuesday also contributed to the sell-off. Henderson Land Development fell 4.52% w-o-w to HK\$37, Sun Hung Kai Properties dropped 3.98% w-o-w to HK\$77.15 and Sino Land eased 3.17% w-o-w to HK\$9.15.

The telecoms sector was in focus after China Mobile (Hong Kong) surprised the market with a HK\$2.2 billion bid for 66.5% of China Resources Peoples Telephone. China Mobile signed a non-binding memorandum of understanding to acquire shares from Peoples' two major shareholders – China Resources (Holdings) and Onwel Capital – at HK\$4.55 per share (the original IPO price). If the deal goes through, China Mobile will have to make a general offer for the remaining shares. However, the proposed move was not well received by the market and China Mobile plunged 6.97% w-o-w to HK\$35.35.

China-related shares were also weaker as investors offloaded their positions to free up cash pending investment in the mega-IPO of China Construction Bank (CCB). The HSCEI and HSCCI lost 3.29% w-o-w and 6.63% w-o-w respectively. CCB's domestic peer Bank of Communications came under pressure, down 1.53% w-o-w at HK\$3.225. Oil plays also softened as oil prices retreated amid forecast of slower US demand. PetroChina dropped 4.62% w-o-w to HK\$6.2, while CNOOC tumbled 11.50% w-o-w to HK\$5.00.

Despite a week of hefty losses, investors should stay cautious ahead of the release of US CPI next Friday, which will give a clearer picture of inflationary pressure in the US. Tight liquidity chasing CCB's IPO would also weigh on the market. The HSI should have a good support at around 14,800 in the near term.

**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							
7th October	10,292.31	2,090.35	13,227.74	2,305.24	925.21	708.98	6,081.84
30th September	10,568.70	2,151.69	13,574.30	2,305.14	927.54	723.23	6,118.61
Change	-276.39	-61.34	-346.56	+0.10	-2.33	-14.25	-36.77
%	-2.6%	-2.9%	-2.6%	+0.0%	-0.3%	-2.0%	-0.6%

Major Changes in Index Constituent Stocks (Week ended 7th October 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @07/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$5	-HK\$0.65	-11.50%	The Hong Kong stock exchange censured CNOOC for making selective disclosures and conducting connected transactions without approval from independent shareholders.
New World Development	0017	HK\$10.2	Unchanged	Unchanged	The developer posted a net profit of HK\$2.99 billion for the year to June, turning around from a loss of HK\$976.2 million in the previous year.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @07/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.6	+HK\$0.2	+8.33%	Oil prices retreated to a two-month low amid forecast of slower US demand for fuel.
China Southern Airlines	1055	HK\$2.25	+HK\$0.025	+1.12%	
Zijin Mining	2899	HK\$2.575	+HK\$0.1	+4.04%	Gold prices hit a 14-year new high on worries about US inflation and on good consumer demand.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @07/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$6.15	-HK\$0.3	-4.65%	China's telecoms plays underperformed amid market talks that a long-expected industry reform might not take place in the near term.
China Netcom	0906	HK\$12.85	-HK\$0.5	-3.75%	

Summary of US Economic News

Indicator	Change/Index	Comments
Construction Spending – August	0.4% m-o-m	Construction spending edged up 0.4% to an annual rate of US\$1.108 trillion in August, as both public and private outlays surged.
ISM Manufacturing Index – September	59.4	The ISM manufacturing index rose to 59.4 last month from 53.6 in August, as new orders jumped in the aftermath of Hurricane Katrina. However, the index's prices paid component shot up to 78 from 62.5 in August, renewing inflationary fears.
Factory Orders – August	2.5% m-o-m	Factory orders rose 2.5% in August, led by strong demand for computers and other electronic products.
ISM Non-Manufacturing Index – September	53.3	The ISM non-manufacturing index fell to 53.3 last month from 65 in August, lagging market expectations of 61. The index's prices paid component jumped to 81.4 from 67.1 in August.
Initial Jobless Claims – week ended 1 st October 2005	390,000	Initial jobless claims added 21,000 last week as the volume of hurricane-related applications increased.
Nonfarm Payrolls – September	-35,000	Nonfarm payrolls fell 35,000 in September, fewer than feared despite the hit of Hurricane Katrina.
Unemployment Rate – September	5.1%	The unemployment rate rose to 5.1% last month from 4.9% in August.

Forthcoming Important Announcements / Events

10 th October 2005 (Monday)	HK US	: : :	Daqing Petroleum and Chemical Group (0362) – Final results Holiday – Columbus Day Advanced Micro Devices Inc – Q3 results Alcoa Inc – Q3 results Unisys Corp – Q3 results
11 th October 2005 (Tuesday)	HK US	: : :	Holiday – Chung Yeung Festival Apple Computer Inc – Q4 results Gannett Co Inc – Q3 results
12 th October 2005 (Wednesday)	HK US	: : :	Wonderful World Holdings (0109) – Final results Shang Hua Holdings (0371) – Final results Apollo Group Inc – Q4 results Harley-Davidson Inc – Q3 results Merrill Lynch & Co Inc – Q3 results
13 th October 2005 (Thursday)	HK US	: : :	Applied International Holdings (0519) – Final results Ngai Hing Hong (1047) – Final results Golden Harvest Entertainment Holdings (1132) – Final results Import and Export Prices – September Initial Jobless Claims – week ended 8 th October 2005 International Trade – August Tribune Co – Q3 results
14 th October 2005 (Friday)	HK US	: : :	China Construction Bank – Retail book opens China Motor Bus (0026) – Final results Consumer Price Index – September Retail Sales – September Industrial Production – September Consumer Sentiment (Preliminary) – October Business Inventories – August First Data Corp – Q3 results General Electric Co – Q3 results