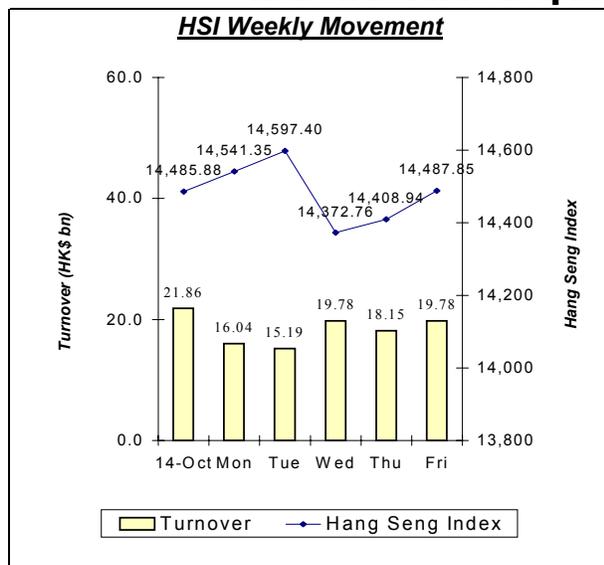


HSI ended flat despite restless rate-hike fear



Weekly Market Statistics

Week ended	21/10/2005	14/10/2005	Change	%
Hang Seng Index	14,487.85	14,485.88	+1.97	+0.0%
HS Red Chip Index	1,832.28	1,811.64	+20.64	+1.1%
HS China Enterprises Index	4,877.51	4,941.78	-64.27	-1.3%
HS Composite Index	1,860.32	1,869.95	-9.63	-0.5%
HS HK Composite Index	1,908.96	1,925.08	-16.12	-0.8%
HS Mainland Composite Index	1,775.17	1,772.07	+3.10	+0.2%
S&P/HKEx GEM Index	960.65	953.61	+7.04	+0.7%
Avg Daily Turnover (HK\$ bn)	17.79	19.20	-1.41	-7.4%
Sectoral Indices				
Finance	25,916.08	26,128.87	-212.79	-0.8%
Utilities	31,061.50	31,270.41	-208.91	-0.7%
Properties	17,985.27	17,840.68	+144.59	+0.8%
Comm & Ind	6,905.54	6,862.25	+43.29	+0.6%

Review & Outlook of Market Performance

The negative tone in the Hong Kong stock market persisted, as investors stayed nervous about further interest rate tightening in the US as well as Hong Kong. Hang Seng Index tumbled more than two hundred points on Wednesday, after the US reported a sharp rise in September producer price index, triggering worries of more rate hikes by the Fed to curb inflation. Nonetheless, a rise in bellwether China Mobile, after the mobile carrier reported a 27.3% rise in Q3 earnings and a higher market share, helped reverse losses in the blue-chip index. Over the week, Hang Seng Index ended up two points at 14,487.85. The average daily turnover dropped to HK\$17.8 billion from HK\$19.2 billion a week earlier, as the gigantic share offer by China Construction Bank (CCB) had drawn some of the market liquidity.

China said its GDP grew a better-than-expected 9.4% in the third quarter and consumer prices surged a tame 0.9% in September. Besides, the newly released third-quarter results showed that corporate earnings remained sound among mainland companies. However, a drop in index heavyweights PetroChina and Sinopec amid sinking crude oil prices counteracted such good news and sent the H-share index lower. The two oil giants lost 3.39% and 2.26% w-o-w to HK\$5.70 and HK\$3.25, respectively, dragging the HSCEI 1.30% lower at 4,877.51. Zijin Mining was down a sharp 11.21% to HK\$2.375 during the week, following a retreat in bullion prices.

Meanwhile, shipping-related shares were under serious selling pressure, as investors feared the sector's current up-cycle has already peaked amid easing freight rates. China Merchants slashed 5.68% w-o-w at HK\$14.95, while China Shipping Container Lines tumbled 6.90% to HK\$2.70. PCCW was also down sharply during the week, as rising interest rates may turn to be wearisome for the debt-heavy fixed-line operator. PCCW plunged 5.70% w-o-w to end at HK\$4.55.

Next Friday would be the last trading day for major October index futures. Take-profit orders from futures bears as well as funds released from CCB's IPO should lend support to the stock market. However, the upside is seen subdued, as investors would stay on the sideline ahead of the FOMC meeting scheduled on 1st November 2005. The Fed is widely expected to hike rates by 25 bps after the meeting.

**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							
21st October	10,281.10	2,068.11	13,199.95	2,239.36	909.58	686.21	5,738.76
14th October	10,287.34	2,064.83	13,420.54	2,303.24	925.59	700.02	5,969.07
Change	-6.24	+3.28	-220.59	-63.88	-16.01	-13.81	-230.31
%	-0.1%	+0.2%	-1.6%	-2.8%	-1.7%	-2.0%	-3.9%

Remarks (*): Closing price as of 20th October 2005**Major Changes in Index Constituent Stocks (Week ended 21st October 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @21/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.45	-HK\$0.25	-9.26%	Guangzhou Honda, the company's car making joint venture with Honda Motor, said car sales rose 15.6% y-o-y in September. However, it was lower than the industry growth of 31.1% last month. As a result, Denway's market share slipped to 6.5% in September from 9.3% in August.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @21/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$2.375	-HK\$0.30	-11.21%	The stock was down on profit taking after recent strong rally, tracking a retreat in bullion prices.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @21/10/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Beijing Enterprises	0392	HK\$12.40	-HK\$0.60	-4.62%	Investors dumped the stock, after a strong 28% share-price rally in September. The stock has lost more than 11.11% so far in October, after its parent sold a 6.43% stake in the company in early this month.
China Resources Land	1109	HK\$2.075	-HK\$0.20	-8.79%	The stock was down on profit taking, after touching a fresh 52-week new high of HK\$2.40 in the previous week.

