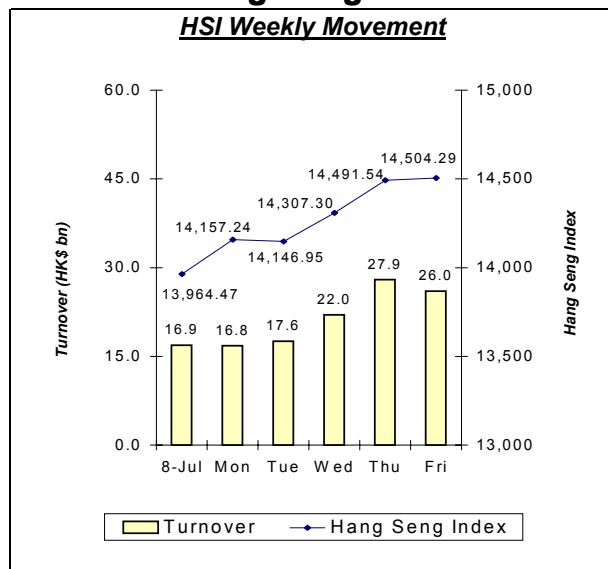


## Cheung Kong and Hutchison drove the market to new high



<b>Weekly Market Statistics</b>				
Week ended	15/07/2005	08/07/2005	Change	%
Hang Seng Index	14,504.29	13,964.47	+539.82	+3.9%
HS Red Chip Index	1,674.72	1,604.71	+70.01	+4.4%
HS China Enterprises Index	4,865.83	4,809.99	+55.84	+1.2%
HS Composite Index	1,871.39	1,805.89	+65.50	+3.6%
HS HK Composite Index	1,969.67	1,899.74	+69.93	+3.7%
HS Mainland Composite Index	1,683.51	1,626.65	+56.86	+3.5%
S&P/HKEx GEM Index	884.51	863.79	+20.72	+2.4%
Avg Daily Turnover (HK\$ bn)	22.07	17.39	+4.68	+26.9%
<b>Sectoral Indices</b>				
Finance	27,036.10	26,389.68	+646.42	+2.4%
Utilities	30,770.29	30,441.88	+328.41	+1.1%
Properties	18,498.21	17,133.88	+1,364.33	+8.0%
Comm & Ind	6,624.26	6,336.93	+287.33	+4.5%

## Review & Outlook of Market Performance

Global equity markets recovered quickly after the terrorist attacks in London last week. Strength of overseas markets coupled with the surge of index heavyweights like Cheung Kong (0001) and Hutchison (0013) drove the HSI to a four-year high. The HSI broke through the resistance level of 14,300 points to close the week at 14,504.29, up 539.82 points, or 3.9% w-o-w. Average daily turnover picked up from HK\$17.39 billion of last week's to HK\$22.07 billion.

During the week, Morgan Stanley lifted the target prices of Cheung Kong and Hutchison to HK\$100.00 and HK\$90.00 respectively, citing higher sales prices of their property projects, continued strong land acquisitions in Hong Kong, China and Singapore and the recovery of Hutchison's 3G business. Furthermore, rumour had it that Hutchison was about to sell its Husky Oil at a substantial profit. Cheung Kong surged 11.3% w-o-w to close at HK\$82.45 while Hutchison jumped 6.8% w-o-w to close at HK\$75.05. Property sector as a whole got boosted as optimism towards Cheung Kong and Hutchison spilled over to peers. HSI property sub-index outperformed the general market to post a weekly gain of 8.0%. Property investors were particularly strong as investors expected their valuations to revise further up on the back of current rental up-cycle. Swire Pacific (0019) closed up 7.8% w-o-w to HK\$74.60 while Wharf (0004) gained 5.3% w-o-w to HK\$28.70. Both made their new high since 1997.

H-shares underperformed the general market. HSCEI gained 55.84 points, or 1.2% w-o-w to close at 4,865.83. There were growing concerns over the negative impact of high commodities prices on corporate earnings as companies such as China Southern Airlines (1055), China Eastern Airlines (0670) and Huaneng Power (0902) issued profit warnings during the week. PICC P&C (2328) plunged 3.2% w-o-w as the company said that it was uncertain whether it could fully recover RMB599 million worth of government bonds it placed in the custody of a troubled securities firm.

Looking ahead, the HSI is expected to stay around the current level as buoyed by ample liquidity in the market. Earnings announcements of major US enterprises might bring volatility to the Hong Kong market next week. HSBC (0005) will likely play catch up and lead the next round of rally if its US counterparts announce encouraging results.

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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							
15th July	10,640.83	2,156.78	11,758.68	2,250.29	916.84	656.69	6,410.59
8th July	10,449.14	2,112.88	11,565.99	2,215.99	903.61	643.31	6,201.40
Change	+191.69	+43.90	+192.69	+34.30	+13.23	+13.38	+209.19
%	+1.8%	+2.1%	+1.7%	+1.5%	+1.5%	+2.1%	+3.4%

## Major Changes in Index Constituent Stocks (Week ended 15<sup>th</sup> July 2005)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @15/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Cheung Kong	0001	HK\$82.45	+HK\$8.35	+11.3%	Morgan Stanley raised its price target of Cheung Kong from HK\$85.00 to HK\$100.00 and raised its EPS estimate by 85% to HK\$1.17, citing a better outlook for Hutchison's 3G operations along with strong property prices.
Hutchison	0013	HK\$75.05	+HK\$4.80	+6.8%	

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @15/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PICC P&C	2328	HK\$1.80	-HK\$0.06	-3.2%	The company said that it was uncertain whether it could fully recover RMB599 million worth of government bonds it placed in the custody of a troubled securities firm.

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

Stock	Stock Code	Closing Price @15/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.525	+HK\$0.225	+9.8%	The record earnings of Apple Computer boosted up investors' sentiment towards computer manufacturers.
TCL Multimedia	1070	HK\$1.43	+HK\$0.09	+6.7%	Investors reacted positively to the news that the company will pay HK\$107 million to buy the sales and marketing functions that Thomson supplies to their joint venture.



## Summary of US Economic News

Indicator	Change/Index	Comments
May Trade Deficit	US\$55.4 billion	The figure was less than the consensus forecast (US\$57.2 billion) and was narrowed from US\$56.9 billion of last month.
June Consumer Price Index	Unchanged	The figure was lower than the consensus forecast (+0.2%). Energy costs declined for the second consecutive month, i.e. down 0.5% m-o-m in June.
June Retail and Food Sales	+1.7%	The increase was higher than the consensus forecast (+1.0%) and that of the previous month (-0.3%).
June Industrial Production	+0.9%	The increase was larger than expected (+0.4%). A jump of 5.3% m-o-m in output of utilities, the result of warmer-than-usual temperature, accounted for more than one-half of the June's gain.
Mid-July Univ. of Michigan Consumer Sentiment Index	96.5	The figure was higher than consensus forecast (95.0) and that of the previous month (96.0).

## Forthcoming Important Announcements / Events

18 <sup>th</sup> July 2005 (Monday)	HK US	: : :	<b>June Unemployment Rate</b> 3M Company (MMM) – Q2 results Bank of America Corporation (BAC) – Q2 results
19 <sup>th</sup> July 2005 (Tuesday)	HK US	: : :	<b>Texwinca Holdings Limited (0321) – Final results</b> June Housing Starts <b>Amgen (AMGN) – Q2 results</b> <b>Ford Motor Company (F) – Q2 results</b> <b>Intel Corporation (INTC) – Q2 results</b> <b>Johnson &amp; Johnson (JNJ) – Q2 results</b> <b>Motorola Inc. (MOT) – Q2 results</b> <b>Wachovia Corporation (WB) – Q2 results</b> <b>Wells Fargo &amp; Company (WFC) – Q2 results</b> <b>Yahoo (YHOO) – Q2 results</b>
20 <sup>th</sup> July 2005 (Wednesday)	HK US	: : :	No Important Announcements / Events <b>Altria Group, Inc. (MO) – Q2 results</b> <b>AT &amp; T (T) – Q2 results</b> <b>Ebay (EBAY) – Q2 results</b> <b>General Motors Corp. (GM) – Q2 results</b> <b>J.P. Morgan Chase &amp; Co. (JPM) – Q2 results</b> <b>Pfizer (PFE) – Q2 results</b> Wyeth (WYE) – Q2 results
21 <sup>st</sup> July 2005 (Thursday)	HK US	: : :	No Important Announcements / Events Initial Jobless Claims – For Week Ended 16 <sup>th</sup> July July Philadelphia Fed Business Index <b>Caterpillar Inc. (CAT) – Q2 results</b> <b>Eli Lilly (LLY) – Q2 results</b> <b>Google (GOOG) – Q2 results</b> <b>Merck &amp; Co. Inc. (MRK) – Q2 results</b> <b>Microsoft (MSFT) – Q2 results</b> <b>Nokia (NOK) – Q2 results</b> Schering-Plough (SGP) – Q2 results <b>The Coca-Cola Company (KO) – Q2 results</b>
22 <sup>nd</sup> July 2005 (Friday)	HK US	: : :	June Consumer Price Index Halliburton Company (HAL) – Q2 results <b>Kimberly Clark (KMB) – Q2 results</b> <b>Schlumberger (SLB) – Q2 results</b>