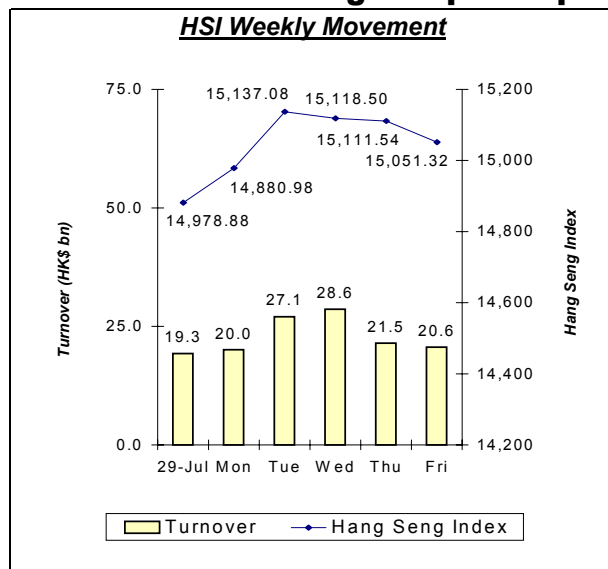


## Positive earnings surprises pushed the HSI above 15,000 points



<b>Weekly Market Statistics</b>				
Week ended	05/08/2005	29/07/2005	Change	%
Hang Seng Index	15,051.32	14,880.98	+170.34	+1.1%
HS Red Chip Index	1,812.27	1,777.10	+35.17	+2.0%
HS China Enterprises Index	5,312.58	5,263.41	+49.17	+0.9%
HS Composite Index	1,948.16	1,928.10	+20.06	+1.0%
HS HK Composite Index	2,024.05	2,006.54	+17.51	+0.9%
HS Mainland Composite Index	1,807.34	1,781.82	+25.52	+1.4%
S&P/HKEx GEM Index	912.11	911.37	+0.74	+0.1%
Avg Daily Turnover (HK\$ bn)	23.56	20.17	+3.38	+16.8%
<b>Sectoral Indices</b>				
Finance	27,479.26	27,241.62	+237.64	+0.9%
Utilities	31,306.15	31,284.85	+21.30	+0.1%
Properties	19,302.11	18,891.68	+410.43	+2.2%
Comm & Ind	7,014.85	6,927.42	+87.43	+1.3%

## Review & Outlook of Market Performance

Buoyant interim results from leading banking stocks pushed the HSI above the 15,000-level for the first time in more than four years, though mild consolidation later the week held back the rally. The benchmark index advanced 170.34 points, or 1.14% w-o-w, to close at 15,051.32. Average daily turnover increased to HK\$23.56 billion from last week's HK\$20.17 billion.

HSBC Holdings exceeded investor expectations with a 9% y-o-y growth in its interim net profit to US\$7.59 billion. Its subsidiary Hang Seng Bank also reported a better-than-expected first-half net profit, which fell 2.3% y-o-y to HK\$6.04 billion. Both counters rallied on the day following the result announcements but could not sustain the rallies as investors were cautious about the second-half outlook for the banking sector. HSBC gained 0.87% w-o-w to HK\$127.5, while Hang Seng Bank dropped 0.28% w-o-w to HK\$107.2. Bank of East Asia, which posted a 20% y-o-y first-half net profit growth to a record HK\$1.18 billion, was down 0.21% w-o-w at HK\$23.6. Nevertheless, banking stocks' half-year results so far were above the market consensus. Cheung Kong and Hutchison Whampoa surged 3.16% w-o-w and 1.78% w-o-w to HK\$86.5 and HK\$77.3 respectively on optimism that the pair would deliver solid first-half earnings.

Oil stocks surrendered early gains on negative news flow about PetroChina. PetroChina retreated from its high of HK\$7.45 to finish at HK\$6.9, down 0.72% w-o-w on rumours that it might place shares in the near term and Warren Buffet might sell down his stake. CNOOC reached its intra-day high of HK\$5.80 before paring gains to finish unchanged at HK\$5.3. CNOOC has withdrawn its takeover bid for Unocal Corp due to political opposition in the US. Meanwhile, shipping counters picked up on laggard buying. Cosco Pacific jumped 6.21% w-o-w to HK\$16.25, while China Merchants climbed 6.01% w-o-w to HK\$16.71. Overall, the HSCEI and HSCCI closed up 0.93% w-o-w and 1.98% w-o-w respectively.

Looking ahead, investors should remain cautious ahead of US FOMC meeting scheduled on next Tuesday, 9<sup>th</sup> August, which the market largely expects another 25-bp rate rise. Investors would then turn to upcoming interim results from China Mobile and Swire Pacific. Any positive earnings surprise could provide fresh momentum to the market. The HSI is likely to trade between 14,900 and 15,150 next week.

**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							
5th August	10,558.03	2,177.91	11,766.48	2,338.87	943.41	686.01	6,446.01
29th July	10,640.91	2,184.83	11,899.60	2,352.56	937.39	675.67	6,311.98
Change	-82.88	-6.92	-133.12	-13.69	+6.02	+10.34	+134.03
%	-0.8%	-0.3%	-1.1%	-0.6%	+0.6%	+1.5%	+2.1%

**Major Changes in Index Constituent Stocks (Week ended 5<sup>th</sup> August 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @05/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Swire Pacific	0019	HK\$76.9	+HK\$2.6	+3.50%	Swire Pacific said it would book a HK\$2.3 billion one-off gain from selling its 17.62% stake in Modern Terminals.
MTR Corp	0066	HK\$16.05	-HK\$0.05	-0.31%	Investors locked in profits on the stock following its result announcement, which reported a 122.2% y-o-y rise in first-half net profit to HK\$2.6 billion after a revaluation of its property investments.

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

Stock	Stock Code	Closing Price @05/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang New Steel	0347	HK\$4.3	+HK\$0.4	+10.26%	Morgan Stanley upgraded its outlook for the steel sector, citing that domestic steel prices have bottomed out as inventories have gradually returned to normal levels following a sharp correction in May and June.
Maanshan Iron & Steel	0323	HK\$2.825	+HK\$0.225	+8.65%	

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

Stock	Stock Code	Closing Price @05/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$1.77	+HK\$0.12	+7.27%	China Resources Land said it was forming a joint venture with its parent to acquire a land site in Haidian district in Beijing, which would be converted into a self-contained residential community.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Construction Spending – June	-0.3% m-o-m	Construction spending fell 0.3% in June, the fourth consecutive monthly drop, as private residential outlays slipped.
ISM Manufacturing Index – July	56.6	The index rose to 56.6, the highest this year, from 53.8 in June, signalling that manufacturing activities may add more to economic growth this quarter.
Personal Income – June	+0.5% m-o-m	Personal income advanced 0.5% in June, stronger than market forecasts of 0.4%.
Consumer Spending – June	+0.8% m-o-m	Consumer spending rose a robust 0.8% in June, partly due to robust car sales.
Factory Orders – June	+1.0% m-o-m	Factory orders rose 1.0% in June as strong demand for computers and electronics outstripped weakness in transportation equipment.
Nonfarm Payrolls – July	207,000	A healthy gain that led Wall Street to increase bets on more interest-rate rises from the Federal Reserve.
Unemployment Rate – July	5.0%	July's unemployment rate remained at the 5.0% level reached in June.

**Forthcoming Important Announcements / Events**

8 <sup>th</sup> August 2005 (Monday)	HK	:	Retail Sales – June <b>Pacific Century Insurance Holdings (0065) – Interim results</b> <b>I-Cable Communications (1097) – Interim results</b> <b>Standard Chartered Plc (2888) – Interim results</b>
9 <sup>th</sup> August 2005 (Tuesday)	HK	:	<b>Hysan Development Co (0014) – Interim results</b> <b>Hong Kong Aircraft Engineering Co (0044) – Interim results</b> <b>Jiangxi Copper Co (0358) – Interim results</b> <b>Guangshen Railway Co (0525) – Interim results</b> <b>Huaneng Power International, Inc (0902) – Interim results</b> Lifestyle International Holdings (1212) – Interim results
	US	:	Productivity and Costs – Q2 preliminary Wholesale Trade – June <b>FOMC Meeting</b> <b>Cisco Systems Inc – Q4 results</b> <b>Walt Disney Co – Q3 results</b>
10 <sup>th</sup> August 2005 (Wednesday)	HK	:	<b>Cathay Pacific Airways (0293) – Interim results</b> <b>China Mobile (Hong Kong) (0941) – Interim results</b> <b>China Shipping Development Co (1138) – Interim results</b> Zijin Mining Group Co (2899) – Interim results
11 <sup>th</sup> August 2005 (Thursday)	HK	:	<b>Hongkong Electric Holdings (0006) – Interim results</b> <b>Swire Pacific (0019) – Interim results</b> <b>Wing Hang Bank (0302) – Interim results</b> <b>Li &amp; Fung (0494) – Interim results</b> <b>Fubon Bank (Hong Kong) (0636) – Interim results</b> Hutchison Harbour Ring (0715) – Interim results
	US	:	<b>Retail Sales – July</b> Initial Jobless Claims – week ended 6 <sup>th</sup> August 2005 Business Inventories – June <b>Dell Inc – Q2 results</b>
12 <sup>th</sup> August 2005 (Friday)	HK	:	<b>Angang New Steel Co (0347) – Interim results</b>
	US	:	Import and Export Prices – July International Trade – June Consumer Sentiment (Preliminary) – August