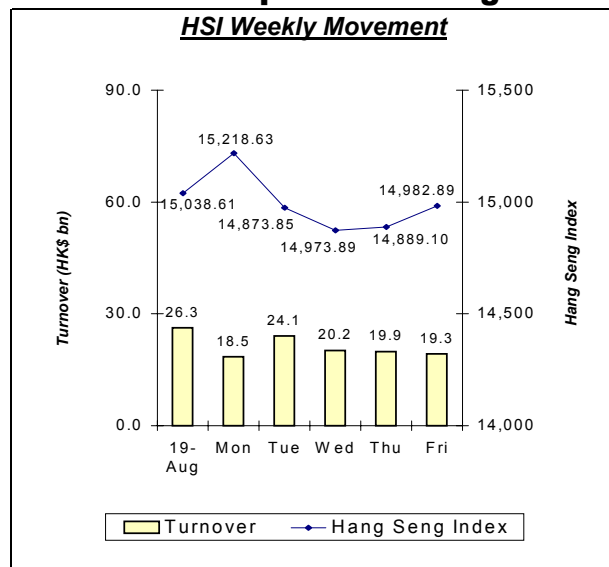


## Corporate earnings dominated market performance



### Weekly Market Statistics

Week ended	26/08/2005	19/08/2005	Change	%
Hang Seng Index	14,982.89	15,038.61	-55.72	-0.4%
HS Red Chip Index	1,890.43	1,871.65	+18.78	+1.0%
HS China Enterprises Index	5,199.68	5,200.75	-1.07	-0.0%
HS Composite Index	1,934.72	1,940.34	-5.62	-0.3%
HS HK Composite Index	1,983.44	1,998.89	-15.45	-0.8%
HS Mainland Composite Index	1,850.33	1,835.55	+14.78	+0.8%
S&P/HKEx GEM Index	932.83	920.33	+12.50	+1.4%
Avg Daily Turnover (HK\$ bn)	20.38	25.62	-5.24	-20.4%
Sectoral Indices				
Finance	26,940.45	27,171.12	-230.67	-0.8%
Utilities	31,187.24	31,226.09	-38.85	-0.1%
Properties	18,618.33	18,878.87	-260.54	-1.4%
Comm & Ind	7,136.17	7,116.19	+19.98	+0.3%

## Review & Outlook of Market Performance

Corporate earnings dominated market performance during the week. Better than expected interim results of China Mobile (0941) gave the market a strong boost at the beginning of the week. However, the rally was just short-lived as Cheung Kong (0001) and Hutchison (0013) led the market down after their investment ratings being downgraded two days before their results announcements on Thursday. Though both of them recovered most of their lost grounds after reporting earnings that beat market estimates, the market still ended up in red this week. HSI was down 55.72 points, or 0.4% w-o-w, to close at 14,982.89. Average daily turnover dropped to HK\$20.38 billion from HK\$25.62 billion of last week's.

Cheung Kong reported a 51.6% y-o-y growth in earnings to HK\$10.37 billion on improved margin and properties revaluation gain while Hutchison reported a 10% y-o-y increase in net profit due to narrowing of 3G losses and a one-time gain from asset sale and UK repurchase. Despite better than expected results, Cheung Kong shed 0.95% w-o-w to HK\$83.8 while Hutchison was down 0.58% w-o-w to HK\$77.7.

The HSCEI closed virtually unchanged at 5,199.68 last week. Index heavyweight PetroChina (0857) also announced its 1H2005 results during the week. Although net profit of PetroChina slightly fell short of market expectation, its share prices gained 3.2% w-o-w to close at HK\$6.50 as investors speculated that its parent would inject PetroKazakhstan that it is acquiring into the counter. Furthermore, record high oil prices also helped support PetroChina's share prices. On the other hand, PICC P&C (2328) reported a 7.6% y-o-y decline in net profit for the first half, which was better than market expectation. The counter surged 8.0% w-o-w to close at HK\$2.15 and was the best performing index component last week.

Looking ahead, the upcoming earnings announcements of other heavyweights such as CNOOC (0883), China Life (2628) and Wharf (0004) etc. should continue to be closely scrutinized by investors next week. On top of these, the expiry of index futures next Tuesday should further add volatility to the market. We see the HSI to range traded between 14,800 and the 15,200 level 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							
26th August	10,397.29	2,120.77	12,439.48	2,286.55	918.38	695.89	6,136.55
19th August	10,559.23	2,135.56	12,291.73	2,286.36	925.54	680.83	6,158.94
Change	-161.94	-14.79	+147.75	+0.19	-7.16	+15.06	-22.39
%	-1.5%	-0.7%	+1.2%	+0.0%	-0.8%	+2.2%	-0.4%

### Major Changes in Index Constituent Stocks (Week ended 26<sup>th</sup> August 2005)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC Limited	0883	HK\$5.65	+HK\$0.15	+2.7%	Investors snapped up the counter as oil prices reached fresh high of US\$68 during the week
Johnson Electric	0179	HK\$7.05	-HK\$0.25	-3.4%	The company made a white knight bid for Swiss electronic parts maker Saia-Burgess (SBEN.S) at US\$548 million.

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

Stock	Stock Code	Closing Price @26/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PICC P&C	2328	HK\$2.15	+HK\$0.16	+8.0%	The company reported a 7.6% drop in 1H2005 net profit to RMB 899 million, beating the consensus estimate of RMB680 million.
PetroChina	0857	HK\$6.5	+HK\$0.2	+3.2%	Its parent firm CNPC launched a US\$4.18 billion bid for PetroKazakhstan that investors speculated that it may later be injected into the counter.
Anhui Conch Cement	0914	HK\$6.9	-HK\$0.45	-6.1%	The Company posted an 88.0% drop in net profit to RMB91.4 million for 1H2005 that was far below analyst's estimates.

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

Stock	Stock Code	Closing Price @26/08/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$2.75	-HK\$0.175	-6.0%	Management of Kingway decided not to continue talks with Heineken NV re. increasing its stakes in the company.



## Summary of US Economic News

Indicator	Change/Index	Comments
July Existing Home Sales	-2.6%	Total existing home sales slipped 2.6% in July to a seasonally adjusted annual rate of 7.16 million units from an upwardly revised record of 7.35 million units in June.
July New Home Sales	+6.5%	The figure was above market consensus (-3.1%). The seasonally adjusted estimate of new houses for sale at the end of July was 460,000 units that represent a supply of 4.0 months at the current sales rate.
July Durable Goods Order	-4.9%	The decrease was more than market consensus (-1.0). Transportation equipment, down for the second consecutive month, had the largest decrease, US\$5.9 billion, or 8.6% to US\$62.0 billion.
Initial Jobless Claims – Week ended 20 <sup>th</sup> August	-4k	The 4-week moving average was 315,000, an increase of 1,250 from the previous week's revised average of 313,750.

## Forthcoming Important Announcements / Events

29 <sup>th</sup> August 2005 (Monday)	HK	:	China Eastern Airlines (0670) – Interim results Datang International Power Generation (0991) – Interim results <b>China Life Insurance (2628) – Interim results</b>
	US	:	No Important Announcements / Events
30 <sup>th</sup> August 2005 (Tuesday)	HK	:	<b>The Wharf (Holdings) Limited (0004) – Interim results</b> <b>CNOOC Limited (0883) – Interim results</b> TCL Communication Technology (2618) – Interim results
	US	:	July Factory Orders
31 <sup>st</sup> August 2005 (Wednesday)	HK	:	July Money Supply <b>Hang Lung Group Limited (0010) – Interim results</b> <b>Hang Lung Properties Limited (0101) – Interim results</b> <b>Television Broadcasts Limited (0511) – Interim results</b> <b>China Telecom (0728) – Interim results</b>
	US	:	2 <sup>nd</sup> Quarter Preliminary GDP August Chicago Purchasing Managers Index Tiffany & Co. (TIF) – Q2 results
1 <sup>st</sup> September 2005 (Thursday)	HK	:	<b>Hopewell Holdings Limited (0054) – Final results</b> Hopewell Highway Infrastructure (0737) – Final results <b>Asia Financial Holdings Ltd. (0662) – interim results</b>
	US	:	July Personal Income July Personal Spending July Construction Spending August ISM Business Index
2 <sup>nd</sup> September 2005 (Friday)	HK	:	No Important Announcements / Events
	US	:	August Non-farm Payrolls August Unemployment Rate