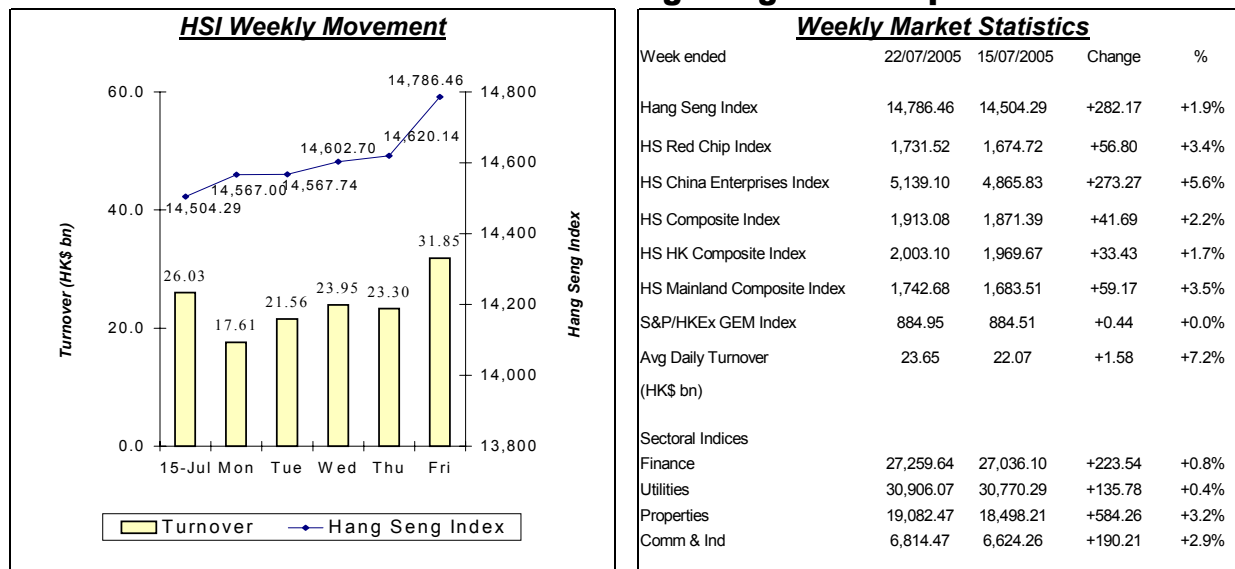


**RMB revaluation boosted Hong Kong stocks up further**


Week ended	22/07/2005	15/07/2005	Change	%
Hang Seng Index	14,786.46	14,504.29	+282.17	+1.9%
HS Red Chip Index	1,731.52	1,674.72	+56.80	+3.4%
HS China Enterprises Index	5,139.10	4,865.83	+273.27	+5.6%
HS Composite Index	1,913.08	1,871.39	+41.69	+2.2%
HS HK Composite Index	2,003.10	1,969.67	+33.43	+1.7%
HS Mainland Composite Index	1,742.68	1,683.51	+59.17	+3.5%
S&P/HKEx GEM Index	884.95	884.51	+0.44	+0.0%
Avg Daily Turnover (HK\$ bn)	23.65	22.07	+1.58	+7.2%
<b>Sectoral Indices</b>				
Finance	27,259.64	27,036.10	+223.54	+0.8%
Utilities	30,906.07	30,770.29	+135.78	+0.4%
Properties	19,082.47	18,498.21	+584.26	+3.2%
Comm & Ind	6,814.47	6,624.26	+190.21	+2.9%

**Review & Outlook of Market Performance**

Sound economic figures from the mainland and a long-expected RMB revaluation helped boost Hong Kong equities higher over the week, despite a second bomb attack in London on Thursday. The Hang Seng Index gained 282.17 points or 1.9% w-o-w to 14,786.46 during the eventful week, while average daily turnover surged to HK\$23.65 billion from HK\$22.07 billion a week earlier.

Most H shares surged after China reported favourable economic data and revalued the RMB against the US dollar. China reported a 9.5% y-o-y GDP growth in the 2<sup>nd</sup> quarter, beating market expectations of a 9.3% surge, and a lower-than-expected 1.6% rise in CPI in June, which eased fear of a "hard landing" in the mainland economy. Meanwhile, People's Bank of China surprised the market on Thursday evening by abandoning the decade-old dollar-peg and adopting a new managed floating exchange rate regime based on market demand and supply conditions with reference to a basket of foreign currencies. Under the new regime, the RMB is initially revalued at 8.11 per US\$, against the old peg of 8.28, representing a 2.1% appreciation. Overall, HSCEI gained 5.6% w-o-w to close the week at 5,139.10. All "Big Three" airlines rallied more than 10% during the week, while index heavyweight PetroChina tested a fresh all-time high of HK\$6.55 before closing up 7.5% w-o-w at HK\$6.45.

BOC Hong Kong, Hang Seng Bank and ICBC (Asia) hiked their respective prime lending rates on Wednesday by 25 basis points to 6.50%, bringing them in line with rivals like the Bank of East Asia and Standard Chartered Bank (HK). HSBC Holdings also followed the rate move on the next day. Nonetheless, property stocks largely ignored the news, as higher mortgage cost is only seen dampening the secondary market sentiment rather than new home sales. Over the week, Sino Land rose 6.7% to an all-time closing high of HK\$9.50, while New World Development surged 5.2% to close at HK\$10.20. Meanwhile, MTRC, with a lion share of profit derived from property sales, jumped 7.7% w-o-w to HK\$16.15, the highest close since its trading debut in 2000, and topped all blue-chip gainers for the week.

Despite a sharp rally in the past week, profit taking on H shares is seen limited, as China is widely expected to revalue the RMB further in the 2<sup>nd</sup> half of this year. All in all, stocks are seen trading in a tight range next week, as investors look to corporate earnings when the August reporting season kicks in.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

**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							
22nd July	10,651.18	2,179.74	11,695.05	2,319.34	939.69	648.92	6,380.73
15th July	10,640.83	2,156.78	11,758.68	2,250.29	916.84	656.69	6,410.59
<b>Change</b>	+10.35	+22.96	-63.63	+69.05	+22.85	-7.77	-29.86
<b>%</b>	+0.1%	+1.1%	-0.5%	+3.1%	+2.5%	-1.2%	-0.5%

**Major Changes in Index Constituent Stocks (Week ended 22<sup>nd</sup> July 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @22/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
MTR Corp	0066	HK\$16.15	+HK\$1.15	+7.67%	The subway operator's long-term foreign currency rating was upgraded by Standard & Poor's. Meanwhile, a strong rally in property and landlord stocks also helped boost its share price. In 2004, profit from property ownership and management accounted for approximately 60% of the Company's total operating profit.

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

Stock	Stock Code	Closing Price @22/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.725	+HK\$0.30	+10.10%	People's Bank of China's decision to abandon the decade-old dollar-peg and to have the RMB appreciated by 2.1% against the US dollar should benefit mainland air carriers via improving their cost-income structure as well as lowering their foreign debts.
China Eastern Airlines	0670	HK\$1.36	+HK\$0.14	+11.48%	
China Southern Airlines	1055	HK\$2.475	+HK\$0.30	+13.79%	

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

Stock	Stock Code	Closing Price @22/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$1.66	+HK\$0.33	+24.81%	The share jumped after Beijing's RMB revaluation decision, as investors expect a stronger RMB would lead to NAV re-rating.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing starts – June	Unchanged	Housing starts was flat m-o-m at an annual rate of 2.004 million units in June, weaker than expected rise to 2.045 million units.
Initial jobless claims – the week ended 16 <sup>th</sup> July 2005	-34,000	Initial jobless claims fell a larger-than-expected 34k last week to 303k. The drop was the largest since 2002, thanks to fewer layoffs in the automobile sector.
Index of leading indicators – June	137.7	Conference Board said the index of leading economic indicators fell 0.9% m-o-m to 137.7 last month, seeing weakness only in capital goods orders.

**Forthcoming Important Announcements / Events**

25 <sup>th</sup> July 2005 (Monday)	HK : US :	China Sci-Tech Holdings (0985) – final results Pacific Andes International Holdings (1174) – final results Existing home sales – June 2005 American Express Co – FY05 Q2 results Boeing Co – FY05 Q2 results Texas Instruments – FY05 Q2 results
26 <sup>th</sup> July 2005 (Tuesday)	HK : US :	ASM Pacific Technology (0522) – interim results Chun Wo Holdings (0711) – final results Kwong Hing International Holdings (1131) – final results Tack Fat Group International (0928) – final results External trade – June 2005 Consumer confidence – July 2005 Sun Microsystems Inc – FY05 Q4 results
27 <sup>th</sup> July 2005 (Wednesday)	HK : US :	A-Max (0959) – final results Nanjing Panda (0553) – interim results Sinochem Hong Kong (0297) – final results SMI Publishing (8010) – final results Durable goods orders – June 2005 New home sales – June 2005 Beige book – June 2005 Starbucks Corp – FY05 Q3 results
28 <sup>th</sup> July 2005 (Thursday)	HK : US :	AV Concept (0595) – final results Forte Land (2337) – interim results The Hongkong and Shanghai Hotels (0045) – interim results Lam Soon (Hong Kong) (0411) – final results Mei Ah Entertainment (0391) – final results Rexcapital (0155) – final results Shandong Xinhua (0719) – interim results SMIC (0981) – interim results Initial jobless claims – week ended 23 <sup>rd</sup> July 2005 Exxon Mobil Corp – FY05 Q2 results Phelps Dodge Corp – FY05 Q2 results
29 <sup>th</sup> July 2005 (Friday)	HK : US :	Build King Holdings (0240) – interim results Road King Infrastructure (1098) – interim results Wai Kee Holdings (0610) – interim results Gross domestic product (actual) – Q2 2005 University of Michigan consumer sentiment – July 2005 Chervon Corp – FY05 Q2 results