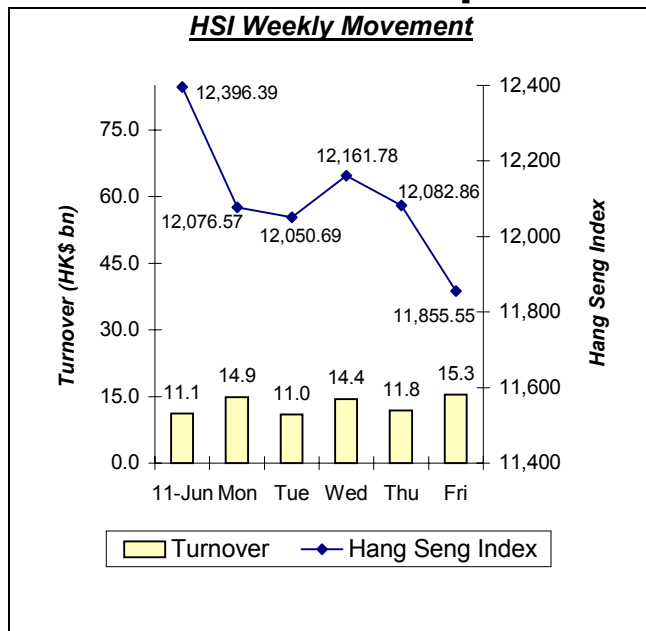


H shares thumped amid interest-rate-hike rumour



Weekly Market Statistics				
Week ended	18/06/2004	11/06/2004	Change	%
Hang Seng Index	11,855.55	12,396.39	-540.84	-4.4%
HS Red Chip Index	1,283.27	1,375.66	-92.39	-6.7%
HS China Enterprises Index	3,919.37	4,381.23	-461.86	-10.5%
HS Composite Index	1,504.28	1,587.09	-82.81	-5.2%
HS HK Composite Index	1,602.90	1,673.15	-70.25	-4.2%
HS Mainland Composite Index	1,312.12	1,425.88	-113.76	-8.0%
S&P/HKEx GEM Index	1,057.08	1,125.46	-68.38	-6.1%
Avg Daily Turnover (HK\$ bn)	13.47	12.44	+1.03	+8.3%
Sectoral Indices				
Finance	24,461.60	25,245.41	-783.81	-3.1%
Utilities	27,206.93	27,975.39	-768.46	-2.7%
Properties	13,815.70	14,825.20	-1,009.50	-6.8%
Comm & Ind	4,933.16	5,211.44	-278.28	-5.3%

Review & Outlook of Market Performance

Hong Kong stocks nosedived this week amid concerns of a near-term interest-rate hike in the mainland and the renewed unrest in the Middle East. The latest rise in oil prices following the attacks on Iraqi pipelines and deteriorating security situation there plagued the market sentiment. The HSI drifted below the critical 12,000 mark and landed at 11,855.55 on Friday, down 540.84 points or 4.4% w-o-w. Average daily turnover was HK\$13.47 billion.

The public-land auction held on Tuesday was the main focus this week. The auction has only received lukewarm responses from local developers, with only 5 bidders taking part. The residential site, which is located at Sa Po Road in Kowloon City, was eventually sold to the private developer Chinachem for HK\$1.01 billion, 48.1% higher than the minimum guaranteed bid of HK\$682.2 million while topping market expectations. The satisfactory results failed to spur the property counters and the HS Properties Sub-index plunged 6.8% w-o-w following a 4.1% gain in the prior week. Major property developers Cheung Kong (HK\$54.75, -8.8% w-o-w), SHKP (HK\$61.75, -5.7% w-o-w) and Henderson Land (HK\$31.10, -6.3% w-o-w) were all losers this week.

Performance of H shares was lacklustre on the further economic tightening measures in the mainland. With all index constituents heading south, the HSCEI dropped for 5 straight days this week and plummeted 10.5% over the week. Meanwhile, mainland carmakers were battered this week on a 19.4% m-o-m decline in car sales in May following the central government's recent austerity measures and restriction on car loans offered by commercial banks. Aggressive selling was seen on Brilliance China (HK\$2.30), Denway Motors (HK\$2.60) and Great Wall Automobile (HK\$7.15), which slumped 14.8%, 22.4% and 18.8% w-o-w respectively.

During the week, the SAR Government unveiled the unemployment rate for the March-May period, which eased to a 2-year low of 7.0% from 7.1% for the February-April period. Looking forward into the coming 4-day trading week shortened by the Dragon Boat Festival holiday next Tuesday, market spotlight should fall on the trading debut of Ping An Insurance, which is the 2nd-largest insurer in the mainland. Amid the meagre market sentiment, we see the HSI should likely be range-traded between 11,800 and 12,000.

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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 18th June	10,416.41	1,986.73	11,382.08	1,791.62	821.93	622.71	5,569.29
11th June	10,410.10 (10/6)	1,999.87 (10/6)	11,526.82	1,823.14	824.32	613.13	5,735.07
Change %	+6.31 +0.06%	-13.14 -0.66%	-144.74 -1.26%	-31.52 -1.73%	-2.39 -0.29%	+9.58 +1.56%	-165.78 -2.89%

Major Changes in Index Constituent Stocks (Week ended 18th June 2004)
Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/06/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
TCL International	1070	HK\$2.10	-HK\$0.45	-17.6%	The TV maker was undermined by a warning by its parent that TV-exports growth would slow.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/06/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Angang New Steel	0347	HK\$2.400	-HK\$0.425	-15.0%	These commodity counters were hard hit after news that China has raised electricity tariffs while additional charges are imposed on their respective sectors.
Jiangxi Copper	0358	HK\$2.90	-HK\$0.55	-15.9%	
Anhui Conch Cement	0914	HK\$7.60	-HK\$1.65	-17.8%	
CHALCO	2600	HK\$3.625	-HK\$0.625	-14.7%	

Summary of US Economic News

Indicator	Change/Index	Comments
Trade balance - April	US\$48.3-billion deficit	Trade deficit widened to a record US\$48.3 billion in April, up from the revised record of US\$46.6 billion posted in March. Imports edged up 0.2% in April, while exports fell 1.5%.
Retail sales - May	+1.2% m-o-m	Retail sales jumped 1.2% to a seasonally-adjusted US\$335.8 billion in May, following a revised 0.6% decline in April.
Consumer price index - May	+0.6% m-o-m	CPI jumped 0.6% in May, the fastest 1-month gain since January 2001, following a 0.2% rise in April. Excluding the fuel and energy costs, the "core" CPI edged up 0.2% in May after a 0.3% increase in April.
Business inventories - April	+0.5% m-o-m	Business inventories increased 0.5% in April, following a 0.7% rise in March. Business sales fell 0.1% in April after jumping 3.2% in March.
Housing starts - May	-0.7% m-o-m	Housing starts fell 0.7% to an annual rate of 1.967 million units in May from a revised 1.981-million-unit rate in April.
Industrial production - May	+1.1% m-o-m	Industrial production rose a larger-than-expected 1.1% in May, the biggest gain since August 1998, after a 0.8% increase in April.
Producer price index - May	+0.8% m-o-m	PPI spiked 0.8% in May, the largest jump since March 2003, following a 0.7% rise in April. Excluding the volatile food and energy costs, the "core" PPI rose 0.3% in May, following a 0.2% increase in April.
Leading indicators - May	+0.5% m-o-m	The Conference Board said its index of leading indicators rose 0.5% to 116.5 in May, following a 0.1% increase in April.
Current account - Q1	US\$144.9-billion deficit	Current-account deficit widened to US\$144.9 billion in Q1 of this year from a revised US\$127.0-billion deficit in the last 3 months of 2003.



Forthcoming Important Announcements / Events

21 st June, 2004 (Monday)	HK	: Consumer price index – May Mayer Holdings (1116) – trading debut Armitage Technologies (8213) – final results Flexsystem (8050) – final results HK6 Holdings (8206) – final results Leadership Publishing (8010) – final results Sau San Tong (8200) – final results Tungda Innovative Lighting (8229) – final results Xteam Software (8178) – final results
	US	: Walgreen Co – Q3 results
22 nd June, 2004 (Tuesday)	HK	: Dragon Boat Festival holiday
	US	: Goldman Sachs Group Inc – Q2 results Kroger Co – Q1 results Morgan Stanley – Q2 results
23 rd June, 2004 (Wednesday)	HK	: China Motion (0989) – final results CyberM International (8017) – final results Hanison Construction (0896) – final results HKR International (0480) – final results iSteelAsia Holdings (8080) – final results Joyce Boutique (0647) – final results Linmark Group (0915) – final results M Channel (8036) – final results Norstar Founders Group (2339) – final results Shaw Brothers (0080) – final results TPV Technology (0903) – Q1 results Tse Sui Luen (0417) – final results
	US	: FedEx Corp – Q4 results Micron Technology Inc – Q3 results
24 th June, 2004 (Thursday)	HK	: Ping An Insurance (2318) – trading debut Dickson Concept (0113) – final results Global Tech (0143) – interim results Macau Success (0487) – interim results Sincere (0244) – final results Sunway International (0058) – interim results Tai Cheung Holdings (0088) – final results Town Health International (8138) – final results Universal Technologies (8091) – final results Wanasports (8020) – final results
	US	: Durable-goods orders – May New-home sales – May Nike Inc – Q4 results
25 th June, 2004 (Friday)	HK	: ABC Communications (0030) – final results Arcontech (8097) – final results China Gas Holdings (0384) – final results Le Saunder (0738) – final results Ming Fung Jewellery (0870) – interim results
	US	: GDP (final) – Q1 Existing-home sales – May ConAgra Foods Inc – Q4 results General Mills Inc – Q4 results