

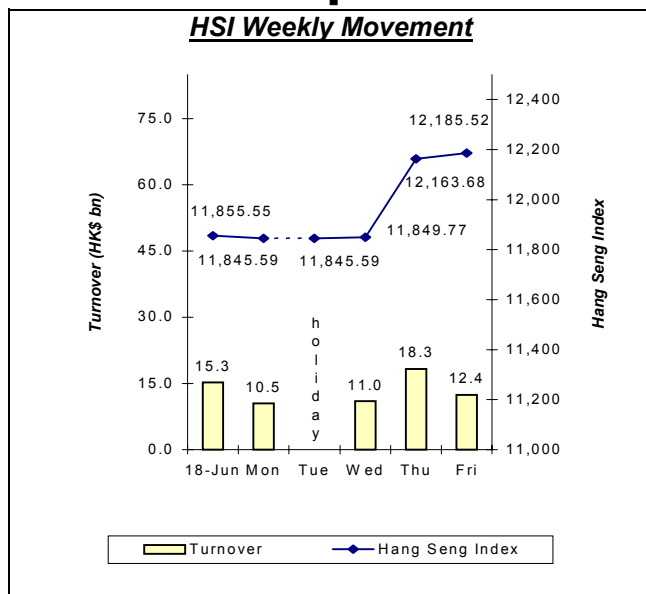
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**Weekly Report**26<sup>th</sup> June, 2004**A quick rebound after last week's sell-off**

<b>Weekly Market Statistics</b>				
Week ended	25/6/2004	18/6/2004	Change	%
Hang Seng Index	12,185.52	11,855.55	+329.97	+2.8%
HS Red Chip Index	1,355.74	1,283.27	+72.47	+5.6%
HS China Enterprises Index	4,223.56	3,919.37	+304.19	+7.8%
HS Composite Index	1,552.12	1,504.28	+47.84	+3.2%
HS HK Composite Index	1,637.85	1,602.90	+34.95	+2.2%
HS Mainland Composite Index	1,390.87	1,312.12	+78.75	+6.0%
S&P/HKEX GEM	1,058.07	1,057.08	+0.99	+0.1%
Avg Daily Turnover (HK\$ bn)	13.04	13.47	-0.43	-3.2%
Sectoral Indices				
Finance	24,919.54	24,461.60	+457.94	+1.9%
Utilities	27,586.44	27,206.93	+379.51	+1.4%
Properties	14,207.46	13,815.70	+391.76	+2.8%
Comm & Ind	5,134.12	4,933.16	+200.96	+4.1%

**Review & Outlook of Market Performance**

In a week shortened by the Dragon Boat Festival holiday, Hong Kong stocks range-traded in a narrow band in earlier sessions after falling more than 4% in the previous week. However, easing fears of an imminent interest-rate hike in China as well as the news that mainland insurers would be allowed to invest overseas gave a shot on the hand to the local bourse later in the week. Moreover, better performances in the Wall Street and other regional markets also boosted local market sentiment, and the HSI rallied over 300 points on Thursday. The HSI eventually closed Friday at 12,185.52, up 2.8% or 329.97 points w-o-w. Average daily turnover was HK\$13.04 billion.

Lifting the blue-chip index higher were gains in HSBC (HK\$116.50, +1.7% w-o-w), which increased on news that it would buy up to a 20% stake in China's 5<sup>th</sup> largest bank, Bank of Communications. Property counters were higher amid news that KCRC still waits the Government's approval for property development along its new lines, which assuaged fears of an oversupply in the market in the medium term. The HS Properties Sub-index was up 2.8% on week.

Also in focus this week was the closely-watched debut of Ping An Insurance, which failed to benefit from the bullish sentiment for China plays as investors balked at its relatively-high valuations. Shares of the company closed the week at HK\$10.30, versus its offer price of HK\$10.33 apiece. Nevertheless, riding on the momentum of Ping An Insurance's trading debut, performance of the shares of China Life Insurance (HK\$4.475, +6.5% w-o-w) and PICC Property & Casualty (HK\$2.875, +3.6% w-o-w) were solid this week.

Meanwhile, premier Wen Jiabao's commented that China would steer its economy to a soft landing signalled that the country may not need an imminent rate hike soon, which helped take the heat off the Chinese stocks, especially H shares. The H-share index went up 7.8% on a weekly basis amid hopes that the QDII scheme would be announced soon, possibly by July.

Next week will be another 4-day trading week, shortened by the SAR Establishment Day holiday. Looking forward, investors would focus on the FOMC meeting on 30<sup>th</sup> June (Wednesday), with the market widely expecting a 25-bp rate rise. Meanwhile, trading in the local bourse should be a bit volatile ahead of the settlement of June HSI futures contracts next Tuesday 29<sup>th</sup> June. Since current sentiment is still quite positive, we see the index to have high chance testing 12,250 next week.

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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 25th June	10,371.84	2,025.47	11,780.40	1,805.54	824.23	644.00	5,802.55
18th June	10,416.41	1,986.73	11,382.08	1,791.62	821.93	622.71	5,569.29
Change	-44.57	+38.74	+398.32	+13.92	+2.30	+21.29	+233.26
%	-0.43%	+1.95%	+3.50%	+0.78%	+0.28%	+3.42%	+4.19%

### Major Changes in Index Constituent Stocks (week ended 25<sup>th</sup> June 2004)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @25/06/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$10.50	+HK\$0.60	+6.1%	It was reported that the company would acquire a 25% stake in a port at Zhenjiang, Jiangsu province, with a current throughput of 65,000 TEUs.

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

Stock	Stock Code	Closing Price @25/06/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.90	+HK\$0.30	+11.5%	The car-maker staged a strong rebound this week after falling over 22% last week.
Huaneng Power	0902	HK\$6.85	+HK\$0.40	+6.2%	2 more plants of Huaneng Power had been approved by Mainland authorities to increase electricity tariffs.
Huadian Power	1071	HK\$2.55	+HK\$0.15	+6.3%	The mainland IPP won approval to issue up to 765 million A shares on the mainland.

### Summary of US Economic News

Indicator	Change/Index	Comments
Durable-goods orders - May	-1.6% m-o-m	The Commerce Department said orders for durable goods fell 1.6% in May after a revised 2.6% decline in April.
New-home sales - May	+14.8% m-o-m	Sales of new homes jumped 14.8% to a seasonally-adjusted annual rate of 1.369 million units from an upwardly-revised 1.192 million units in April.
Existing-home sales - May	+2.6% m-o-m	Existing-home sales increased 2.6% to a seasonally-adjusted annual rate of 6.80 million units in May from a level of 6.63 million units in April.
GDP (final) - Q1	+3.9% q-o-q	The economy grew at an annual rate of 3.9% in the 1 <sup>st</sup> quarter, much slower than the 4.4% growth rate previously estimated, the Commerce Department said.

**Forthcoming Important Announcements / Events**

28 <sup>th</sup> June 2004 (Monday)	<b>HK</b>	:	GDP- Q1 <b>Li Ning (2331)- trading debut</b> Oriental Press (0018)- final results Sa Sa International (0178)- final results
	<b>US</b>	:	Personal income- May Personal spending- May
29 <sup>th</sup> June 2004 (Tuesday)	<b>HK</b>	:	Balance of payment- Q1 CIG-Yangtze Ports (8275)- trading debut Bossini International (0592)- final results Chuang's China (0298)- final results Miramar Hotel (0071)- final results Pacific Andes (1174)- final results <b>VTech (0303)- final results</b>
	<b>US</b>	:	Consumer confidence- June
30 <sup>th</sup> June 2004 (Wednesday)	<b>HK</b>	:	<b>Dah Sing Banking Group (2356)- trading debut</b> Shanghai Qingpu Fire-Fighting Equipment (8115)- trading debut Qin Jia Yuan Media Services (2366)- trading debut AV Concept (0595)- final results Elegance International (0907)- final results Fujikon Industrial (0927)- final results
	<b>US</b>	:	<b>FOMC meeting</b>
1 <sup>st</sup> July 2004 (Thursday)	<b>HK</b>	:	SAR Establishment Day holiday
	<b>US</b>	:	Construction spending- May ISM manufacturing index- June
2 <sup>nd</sup> July 2004 (Friday)	<b>US</b>	:	<b>Unemployment rate- June</b> Factory orders- May