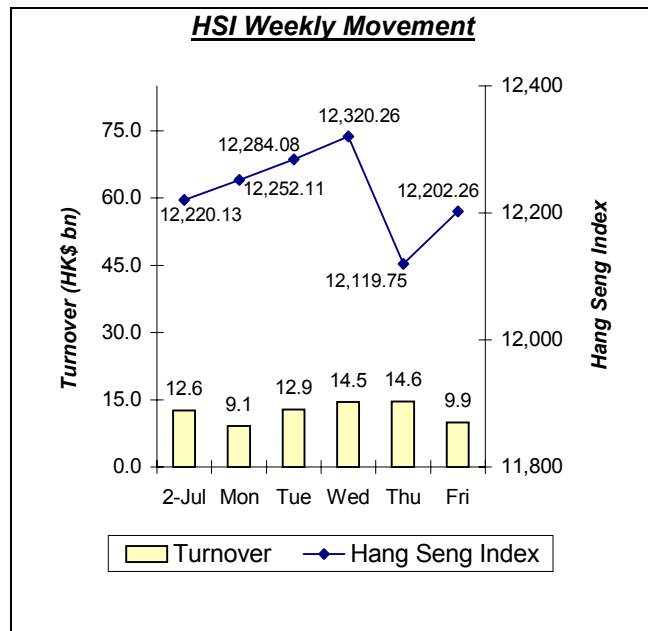


## The HSI ended flat in an uneventful week



<b>Weekly Market Statistics</b>				
Week ended	09/07/2004	02/07/2004	Change	%
Hang Seng Index	12,202.26	12,220.13	-17.87	-0.1%
HS Red Chip Index	1,344.68	1,361.26	-16.58	-1.2%
HS China Enterprises Index	4,315.30	4,314.16	+1.14	+0.0%
HS Composite Index	1,566.95	1,564.09	+2.86	+0.2%
HS HK Composite Index	1,656.16	1,648.59	+7.57	+0.5%
HS Mainland Composite Index	1,398.00	1,405.94	-7.94	-0.6%
S&P/HKEx GEM Index	1,077.54	1,071.94	+5.60	+0.5%
Avg Daily Turnover (HK\$ bn)	12.21	12.11	+0.10	+0.8%
Sectoral Indices				
Finance	24,819.59	24,863.82	-44.23	-0.2%
Utilities	27,385.43	27,243.98	+141.45	+0.5%
Properties	14,680.46	14,421.02	+259.44	+1.8%
Comm & Ind	5,132.61	5,173.58	-40.97	-0.8%

### Review & Outlook of Market Performance

Led by property stocks, the Hang Seng Index nudged higher in the beginning of the week with cautious trading. In a lack of fresh leads, which dampened investor sentiments, Hong Kong stocks failed to hold up and took a dive on Thursday. With a rebound on Friday, the HSI managed to finish the week virtually flat at 12,202.26, down 17.87 points or 0.1% w-o-w. Average daily turnover was HK\$12.21 billion.

Blue-chip property counters were the better performers this week. The HS Properties Sub-index was up 1.8% on week. In particular, property investors were well bid on expectation that they should benefit from higher rents on the improving retail sector. Hang Lung Properties gained 4.4% w-o-w to close at HK\$10.60, while Wheelock reaped in 4.3% on week to close at HK\$9.75. Causeway Bay landlord Hysan Development, a former HSI constituent, even shot up 16.8% w-o-w to close at HK\$13.55.

H shares outperformed the blue chips earlier in the week on hopes that the central government could engineer a soft landing for the mainland economy after the recent series of austerity measures. Speculations that the qualified domestic institutional investor (QDII) scheme would soon be imposed also gave a boost to the H shares. However, the share placement by Yanzhou Coal Mining (HK\$8.95, +2.3% w-o-w) late in the week triggered worries of a new round of fund-raising exercises by the H-share companies and all earlier gains in their respective index were essentially erased. On a weekly basis, the HSCEI finished virtually flat.

Looking forward into next week, market spotlight should fall on a raft of quarterly-results announcements by major US corporations, including Intel, Johnson & Johnson, Bank of America, Citigroup, PepsiCo and IBM. Any earnings disappointment would undoubtedly weigh on the fragile sentiment in the Wall Street as well as other markets including Hong Kong. Shifting back to the local front, trading is expected to stay in a cautious mode ahead of the blue-chip interim-results reporting season, which will be kicked off by The Bank of East Asia (HK\$22.45, +0.4% w-o-w) at the end of this month. We see the HSI would likely be range-traded between 12,000 and 12,350 in the near term.

*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 10th July	10,213.22	1,946.33	11,423.53	1,862.03	854.06	666.59	5,777.72
3rd July	10,282.83	2,006.66	11,721.49	1,839.33	830.68	647.57	5,746.70
Change %	-69.61 -0.67%	-60.33 -3.02%	-297.96 -2.54%	+22.70 +1.23%	+23.38 +2.81%	+19.02 +2.94%	+31.02 +0.54%

**Major Changes in Index Constituent Stocks (Week ended 9<sup>th</sup> July 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @09/07/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Wheelock	0020	HK\$9.75	+HK\$0.40	+4.3%	The property investors were well bid on expectation that they would benefit from the higher rents amid the recovering retail sector.
Hang Lung Properties	0101	HK\$10.60	+HK\$0.45	+4.4%	

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

Stock	Stock Code	Closing Price @09/07/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$3.00	+HK\$0.30	+11.1%	Car sales at its joint venture with Japan's Honda Motor jumped 53% m-o-m in June, compared with a 7.1% decline in China's overall sedan sales in the month.

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

Stock	Stock Code	Closing Price @09/07/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Huaneng Power	0902	HK\$6.65	-HK\$0.25	-3.6%	The mainland power producers were lower on concerns that the increases in tariffs would fail to offset the high coal price.
Huadian Power	1071	HK\$2.45	-HK\$0.15	-5.8%	

**Summary of US Economic News**

Indicator	Change/Index	Comments
ISM services index - June	59.9	The Institute for Supply Management said its services index fell to a lower-than-expected 59.9 in June, down from May's reading of 65.2.
Consumer credit - May	+US\$8.2 billion m-o-m	Consumer credit rose a higher-than-expected US\$8.2 billion, or an annual rate of 4.9%, in May after increasing a revised US\$5.3 billion in April.
Wholesale inventories - May	+1.2% m-o-m	Wholesale inventories rose a higher-than-expected 1.2% in May after an upwardly-revised 0.2% gain in April.

**Forthcoming Important Announcements / Events**

12 <sup>th</sup> July, 2004 (Monday)	<b>HK</b>	: Chen Hsong (0057) – final results Chuang's Consortium International (0367) – final results Golden Resources Development (0677) – final results Ngai Lik (0332) – final results Tungtex (Holdings) (0518) – final results U-RIGHT International (0627) – final results
	<b>US</b>	: M&T Bank Corp – Q2 results SunTrust Banks Inc – Q2 results
13 <sup>th</sup> July, 2004 (Tuesday)	<b>HK</b>	: Sanmenxia Tianyuan Aluminum (8253) – trading debut <b>Café de Coral (0341) – final results</b> E. Bon Holdings (0599) – final results <b>Hon Kwok Land (0160) – final results</b> Shui On Construction and Materials (0983) – final results
	<b>US</b>	: Trade balance – May BB&T Corp – Q2 results Gannett Co Inc – Q2 results <b>Intel Corp – Q2 results</b> <b>Johnson &amp; Johnson – Q2 results</b> <b>Merrill Lynch &amp; Co Inc – Q2 results</b> <b>State Street Corp – Q2 results</b>
14 <sup>th</sup> July, 2004 (Wednesday)	<b>HK</b>	: Pacific Basin Shipping (2343) – trading debut Capital Strategic Investment (0497) – final results Group Sense (0601) – final results <b>Vitasoy International (0345) – final results</b>
	<b>US</b>	: Retail sales – June Advanced Micro Devices Inc – Q2 results <b>Bank of America Corp – Q2 results</b> Harley-Davidson Inc – Q2 results
15 <sup>th</sup> July, 2004 (Thursday)	<b>HK</b>	: Hopefluent Group (0733) – trading debut <b>Luen Thai Holdings (0311) – trading debut</b> Mitsumaru East Kit (2358) – trading debut Concepta Investment (1140) – final results Fairwood Holdings (0052) – final results Far East Consortium International (0035) – final results Lam Soon (Hong Kong) (0411) – interim results Starlite Holdings (0403) – final results Yeebo (International Holdings) (0259) – final results
	<b>US</b>	: Business inventories – May Producer price index – June Industrial production – June Citigroup Inc – Q2 results Eaton Corp – Q2 results <b>Fannie Mae – Q2 results</b> Forest Laboratories Inc – Q1 results Marriott International Inc – Q2 results <b>PepsiCo Inc – Q2 results</b> PPG Industries Inc – Q2 results Tribune Co – Q2 results <b>Wachovia Corp – Q2 results</b>
16 <sup>th</sup> July, 2004 (Friday)	<b>HK</b>	: Asia Resources (0899) – final results <b>JCG Holdings (0626) – interim results</b> Mexan (0022) – final results New World CyberBase (0276) – final results
	<b>US</b>	: Consumer price index – June Allstate Corp – Q2 results <b>Coca-Cola Enterprises Inc – Q2 results</b> <b>IBM – Q2 results</b> Progressive Corp – Q2 results