

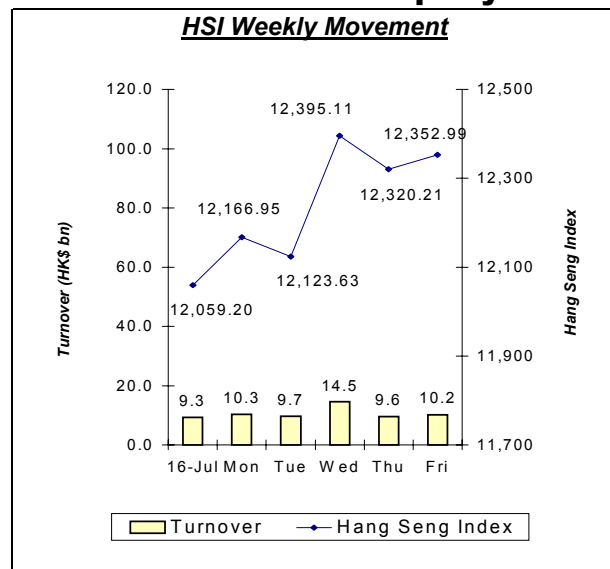
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report24th July 2004**Property stocks shine this week**

<u>Weekly Market Statistics</u>				
Week ended	23/07/2004	16/07/2004	Change	%
Hang Seng Index	12,352.99	12,059.20	+293.79	+2.4%
HS Red Chip Index	1,357.39	1,312.05	+45.34	+3.5%
HS China Enterprises Index	4,348.88	4,292.55	+56.33	+1.3%
HS Composite Index	1,582.08	1,547.82	+34.26	+2.2%
HS HK Composite Index	1,674.28	1,639.94	+34.34	+2.1%
HS Mainland Composite Index	1,406.56	1,371.68	+34.88	+2.5%
S&P/HKEx GEM Index	1,055.99	1,050.49	+5.50	+0.5%
Avg Daily Turnover (HK\$ bn)	10.87	10.01	+0.86	+8.6%
Sectoral Indices				
Finance	24,902.54	24,623.96	+278.58	+1.1%
Utilities	28,506.29	27,577.15	+929.14	+3.4%
Properties	15,054.79	14,403.40	+651.39	+4.5%
Comm & Ind	5,203.51	5,044.77	+158.74	+3.1%

Review & Outlook of Market Performance

Hong Kong stocks zigzagged up this week after some soothing comments from Fed chairman Alan Greenspan, which gave the market a confidence boost. Meanwhile, hopes for better earnings prospects for certain sectors in both the US and Hong Kong also provided some help. In fact, with a remarkable performance in the local property counters, the benchmark HSI eventually reaped in 293.79 points or 2.4% over the week to 12,352.99. Average daily turnover improved slightly this week to HK\$10.87 billion.

Greenspan's Tuesday testimonial did point to an uptrend in US interest rates but that would very likely be in an orderly manner, allowing for a more sustainable and solid US economic growth. The local property counters reacted positively to the report as the HS Properties Sub-index jumped 4.5% w-o-w. Hang Lung Properties (HK\$11.30) was the star performer this week as it ramped up 10.2%, followed by Wheelock (HK\$10.50)'s 8.3% rise. Meanwhile, major developers Cheung Kong (HK\$59.50, +3.9% w-o-w), Henderson Land (HK\$34.00, +3.0% w-o-w) and SHK Properties (HK\$66.25, +3.9% w-o-w) also had an encouraging performance over the week. On the other hand, performances of the banks were mixed. BOC Hong Kong (HK\$13.40) put on another 3.9% w-o-w while Hang Seng Bank (HK\$100.00) added 1.3%. However, HSBC (HK\$116.00) only managed to eke out a 0.9% increase while Bank of East Asia (HK\$22.65), which is due to report its interim results next Friday, even edged down 0.9% on week.

Meanwhile, H shares did start the week well, led by Sinopec (HK\$3.05, +3.4% w-o-w) and its petrochemical units, which outperformed on hopes of some strong 1st-half profit figures. However, profit taking has dragged on some other H shares later on, as weekly losses in Datang International Power (HK\$6.25, -3.1% w-o-w), Huadian Power International (HK\$2.35, -5.1% w-o-w) and China Telecom (HK\$2.625, -1.9% w-o-w) cut the HSCEI's advance to 1.3% only.

Looking into next week, investors should keep an eye on the US, where there will be a few economic figures (the 2 home-sales figures and durable-goods orders for June) as well as a series of corporate results to be released. Locally, focus will be on Bank of East Asia, which will kick off the local reporting season on Friday. Meanwhile, we see the HSI to have a good support at 12,000 in the short term.

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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 23rd July	9,962.22	1,849.09	11,187.33	1,850.26	838.20	648.47	5,373.85
16th July	10,139.78	1,883.15	11,436.00	1,871.47	842.65	646.11	5,502.14
Change %	-177.56 -1.8%	-34.06 -1.8%	-248.67 -2.2%	-21.21 -1.1%	-4.45 -0.5%	+2.36 +0.4%	-128.29 -2.3%

Major Changes in Index Constituent Stocks (Week ended 23rd July 2004)

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/07/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Datang International Power	0991	HK\$6.25	-HK\$0.20	-3.1%	The 2 mainland IPPs bucked the trend this week as investors worried that the shortage in coal supply would lead to a significant jump in fuel costs for the 2 nd quarter.
Huadian Power International	1071	HK\$2.350	-HK\$0.125	-5.1%	
Beijing Yanhua	0325	HK\$2.90	+HK\$0.20	+7.4%	Shares of these companies continued to be buoyed this week by the rosy profit forecast of their parent. Sinopec said earlier its 1 st -half net profit was likely to rise by more than half y-o-y year on the back of strong demand at both home and abroad.
Shanghai Petrochemical	0338	HK\$2.875	+HK\$0.125	+4.6%	
Yizheng Chemical	1033	HK\$1.49	+HK\$0.10	+7.2%	
Zhenhai Refining & Chemical	1128	HK\$8.15	+HK\$0.30	+3.8%	

Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts - June	-0.8% m-o-m	Housing starts plunged unexpectedly by 8.5% in June to their lowest level in more than a year.
Leading indicators - June	-0.2% m-o-m	The index of leading indicators fell 0.2% in June to 116.2, after a downwardly-revised 0.4% gain in May.

Forthcoming Important Announcements / Events

26 th July 2004 (Monday)	HK	:	External Trade – June China Merchants DiChain (Asia) (0632) – final results Hong Kong Pharmaceutical (0182) – final results Hongkong & Shanghai Hotels (0045) – H1 results
	US	:	Existing-home sales – June American Express – Q2 results Bellsouth Corp – Q2 results Boston Scientific – Q2 results International Paper – Q2 results Kellogg – Q2 results
27 th July 2004 (Tuesday)	HK	:	ASM Pacific Technology (0522) – H1 results Skyworth Digital (0751) – final results Solomon Systech (International) (2878) – H1 results Sun Media Group (0307) – final results TOM Online (8282) – H1 results
	US	:	Consumer confidence – July New-home sales – June Chubb – Q2 results EI Du Pont de Nemours – Q2 results Lockheed Martin – Q2 results Safeway – Q2 results
28 th July 2004 (Wednesday)	HK	:	Automated Systems (0771) – Q1 results Jilin Chemical Industrial (0368) – H1 results
	US	:	Durable-goods orders – June Allergan – Q2 results Anheuser Busch – Q2 results Boeing – Q2 results Hilton Hotels – Q2 results Metlife – Q2 results Time Warner – Q2 results
29 th July 2004 (Thursday)	HK	:	Tan Chong International (0693) – H1 results
	US	:	Aetna – Q2 results Apache – Q2 results Bristol-Myers Squibb – Q2 results Dow Chemical – Q2 results Exxon Mobil – Q2 results Gillette – Q2 results Loews Corp – Q2 results
30 th July 2004 (Friday)	HK	:	Bank of East Asia (0023) – H1 results Nam Tai Electronic & Electrical Products (2633) – H1 results
	US	:	GDP (advance) – Q2 ChevronTexaco – Q2 results