

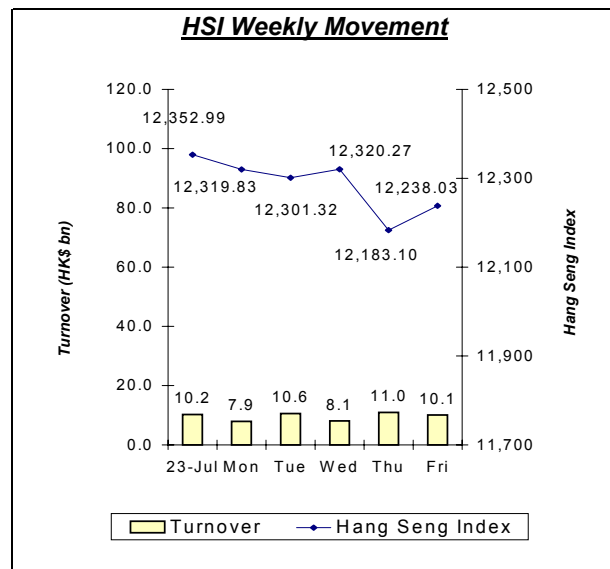
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report31st July 2004**Market Consolidation Continues**

Weekly Market Statistics

Week ended	30/07/2004	23/07/2004	Change	%
Hang Seng Index	12,238.03	12,352.99	-114.96	-0.9%
HS Red Chip Index	1,347.73	1,357.39	-9.66	-0.7%
HS China Enterprises Index	4,335.34	4,348.88	-13.54	-0.3%
HS Composite Index	1,570.01	1,582.08	-12.07	-0.8%
HS HK Composite Index	1,660.15	1,674.28	-14.13	-0.8%
HS Mainland Composite Index	1,398.96	1,406.56	-7.60	-0.5%
S&P/HKEx GEM Index	1,054.44	1,055.99	-1.55	-0.1%
Avg Daily Turnover (HK\$ bn)	9.51	10.87	-1.36	-12.5%
Sectoral Indices				
Finance	24,708.12	24,902.54	-194.42	-0.8%
Utilities	28,450.62	28,506.29	-55.67	-0.2%
Properties	14,815.91	15,054.79	-238.88	-1.6%
Comm & Ind	5,150.04	5,203.51	-53.47	-1.0%

Review & Outlook of Market Performance

The Hong Kong bourse was weaker this week as property stocks ran out of steam while there were fears that record-high oil prices could undermine a global economic recovery. In fact, investors did turn cautious in trading as the expiry of July HSI futures drew near (this Thursday) while they were awaiting the local reporting season. The benchmark HSI eventually landed at 12,238.03 on Friday, down 114.96 points or 0.9% w-o-w. Turnover shrank to just HK\$9.51 billion.

The Bank of East Asia (HK\$22.10, +2.4% w-o-w) kicked off the local reporting season on Friday with a lower-than-expected set of interim results. The lender reported a 26% y-o-y rise in net profit to HK\$1 billion for the 6 months ended 30th June 2004, versus consensus of a 30%-40% growth in the bottom line. Other blue-chip banking counters also turned losers this week. Hang Seng Bank (HK\$99.75) and BOC Hong Kong (HK\$13.35) closed 0.3% and 0.4% lower w-o-w while HSBC (HK\$115.0) retreated 0.9%.

Meanwhile, a rally in property stocks finally lost momentum despite hopes that housing prices and rents would rise after some latest figures showed that Hong Kong's near-6-years bout of deflation is near an end. On a weekly basis, Hang Lung Properties (HK\$10.75) tumbled 4.9% while Cheung Kong (HK\$57.75) gave up 2.9%. SHK Properties (HK\$66.00) was also off 0.4% but Henderson Land (HK\$34.30) did buck the trend, reaping in 0.9% on week.

H shares were battered as the HSCEI dropped 0.3% w-o-w. Heavyweights Chalco (HK\$4.075) dropped 1.8% w-o-w while PICC went south by 1.8%. Elsewhere, Sinopec (unchanged w-o-w) has once been pressured earlier in the week when there were talks about ExxonMobil would consider offloading its 19% stake in the counter. Nevertheless, investors did bet later that there would be surprises at Sinopec's upcoming results announcement and hence pushed up its share price to close at HK\$3.05.

Looking into next week, investors would focus on the results announcements of the banking counters, including HSBC, Hang Seng Bank (both on Monday) and Standard Chartered (Wednesday). Attention should also be given to the coming US economic figures (personal spending & unemployment rate) to be released next week. Meanwhile, the global stock markets should remain in lacklustre due to the poor investment sentiment across the board. The only spotlight remains on the second-tier retail counters like Moisse International & YGM, which are expected to ride on the recent trading momentum. We see the HSI to be range traded between 12,120 to 12,450.

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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							
30th July	10,139.71	1,887.36	11,325.78	1,891.71	833.98	636.70	5,420.57
23rd July	9,962.22	1,849.09	11,187.33	1,850.26	838.20	648.47	5,373.85
Change	+177.49	+38.27	+138.45	+41.45	-4.22	-11.77	+46.72
%	+1.8%	+2.1%	+1.2%	+2.2%	-0.5%	-1.8%	+0.9%

Major Changes in Index Constituent Stocks (Week ended 30th July 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @30/07/04	W-O-W Change		Remarks / Comments
			Absolute	%	
The Bank of East Asia	0023	HK\$22.10	-HK\$0.55	-2.4%	Shares of the bank fell 3.7% on Friday after reporting a lower-than-expected set of interim results.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @30/07/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Oilfield Services	2883	HK\$2.325	+HK\$0.075	+3.3%	The company has announced it would spend US\$33 million to purchase a drilling vessel and related services from a Singaporean company. Investors hoped that the oil-exploration and development market in China would present the company with more opportunities.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing-home sale - June	+2.1% m-o-m	Existing-home sales came in at an annual rate of 6.95 million units in June, up from the 6.81-million-unit pace in May, which was a record. The market has been expecting an annual pace of 6.65 million units for June.
Consumer confidence index - July	106.1	Consumer confidence index was at 106.1 in July, versus a forecasted 102.0 and June's revised reading of 102.8. July marked the 4 th -straight month of gains for the index and put it at the highest level since June 2002.
New-home sales - June	-0.8% m-o-m	New-home sales fell 0.8% to an annual rate of 1.33 million units in June, down from a downwardly-revised rate of 1.34 million units in May, which was a record. The market has been expecting an annual rate of 1.26 million units for June.
Durable-goods orders - June	+0.7% m-o-m	Durable-goods orders rose 0.7% in June, after shrinking a revised 0.9% in May. Wall Street has expected a 1.9% rise for June.
GDP (advance) - Q2	+3% y-o-y	Following a 4.5% increase in 1Q2004, the US economy slowed a slowdown as high energy prices and a hike in interest rate dampened consumer spending.

**Forthcoming Important Announcements / Events**

2 nd August 2004 (Monday)	HK	:	Chitaly (1198) – H1 results Hang Seng Bank (0011) – H1 results Hongkong.com – H1 results HSBC (0005) – H1 results
	US	:	Auto sales – July ISM manufacturing index – July Construction spending – June Procter & Gamble – Q4 results
3 rd August 2004 (Tuesday)	HK	:	MTRC (0066) – H1 results
	US	:	Personal income – June Personal spending – June Qwest Communications International – Q2 results Tyco International – Q3 results
4 th August 2004 (Wednesday)	HK	:	CLP (0002) – H1 results Convenience Retail Asia (8052) – H1 results Standard Chartered (2888) – H1 results Wumart Stores (8277) – H1 results
	US	:	ISM services index – July Factory orders – June AON Corp – Q2 results
5 th August 2004 (Thursday)	HK	:	Anhui Expressway (0995) – H1 results CK Life Sciences (8222) – H1 results Hongkong Electric (0006) – H1 results
	US	:	Goodyear Tire & Rubber – Q2 results
	Canada	:	Alcan – Q2 results
6 th August 2004 (Friday)	HK	:	Orient Overseas (International) (0316) – H1 results Playmates (0635) – H1 results Manulife Financial Corp (0945) – Q2 results China Shipping Development (1138) – H1 results
	US	:	CASH Financial Services (8122) – H1 results Unemployment rate – July