

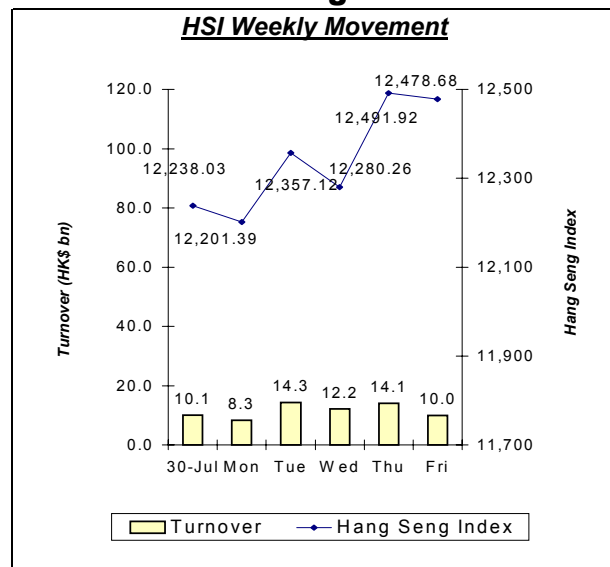
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Weekly Report7th August 2004**The HSI surged on better-than-expected results of Banks ...**

Weekly Market Statistics				
Week ended	06/08/2004	30/07/2004	Change	%
Hang Seng Index	12,478.68	12,238.03	+240.65	+2.0%
HS Red Chip Index	1,345.23	1,347.73	-2.50	-0.2%
HS China Enterprises Index	4,276.18	4,335.34	-59.16	-1.4%
HS Composite Index	1,593.69	1,570.01	+23.68	+1.5%
HS HK Composite Index	1,697.47	1,660.15	+37.32	+2.2%
HS Mainland Composite Index	1,391.72	1,398.96	-7.24	-0.5%
S&P/HKEx GEM Index	1,050.78	1,054.44	-3.66	-0.3%
Avg Daily Turnover (HK\$ bn)	11.76	9.51	+2.24	+23.6%
Sectoral Indices				
Finance	25,378.74	24,708.12	+670.62	+2.7%
Utilities	28,571.24	28,450.62	+120.62	+0.4%
Properties	15,281.83	14,815.91	+465.92	+3.1%
Comm & Ind	5,203.38	5,150.04	+53.34	+1.0%

Review & Outlook of Market Performance

The HSI gained 240.65 points, or 2.0% w-o-w, to close at a 4-month high of 12,478.68. Banking stocks outperformed after better-than-expected corporate earnings from HSBC, Hang Seng bank and Standard Chartered Bank. Property stocks, on hopes for strong corporate reports starting next week, also provided strength to the market. Oil price climbed close to US\$45 per barrel on Friday, hurting stocks in Airlines. Average turnover increased to HK\$11.76 billion over the week.

HSBC and Hang Seng Bank led the gainers on Tuesday after reporting a y-o-y net profit growth of 55% and 24% respectively. The close of the deal between HSBC and the Bank of Communication in China also gave impetus to the stock performance. The share price of HSBC ended up 3.5% w-o-w to HK\$119, while Hang Seng Bank rose 1.8% w-o-w to HK\$102. Meanwhile, another banking stock BOC Hong Kong underperformed with regard to the suspension of two Deputy Chief Executives for the unauthorised use of funds during a listing audit by its parent company.

Property counters were firm with Henderson Land and SHKP leading gain. On the other hand Wheelock and Shanghai Industrial Holdings fell on speculation that they would be removed from the HSI at the reshuffle next Friday. Hutchison Whampoa rose for 3 consecutive days to HK\$56.25, up 6.6% w-o-w, helped by a network sharing deal with Australia's Telstra Corporation that boosted sentiment toward 3G mobile phones and spurred speculation that it might forge similar alliance in Europe.

H shares were battered as the HSCEI dropped 1.4% w-o-w. Chalco slid 11.5% w-o-w to HK\$3.7 after announcing that it would lower the alumina prices by 13% from the present 4,300 yuan per tonne to 3,750 yuan per tonne. Yanzhou Coal fell 8.5% to HK\$8.65, amid concerns that the central government would double the tax on coal to 2.4 yuan a tonne. PetroChina was unchanged at HK\$3.875. Investors worry that its plan to raise 20 billion yuan in domestic A-share would dilute the value of existing stock. Elsewhere, the HSCCI was down 0.2%.

Looking into next week, the level of oil price remains a key factor. Attention should also be given to the coming economic figures in the US and the FOMC meeting next Tuesday. Stock market performance in US and across Asia was lacklustre during the past week. The momentum driven by strong corporate results seems to be fading out and profit taking is expected next week following weak employment number in US. We expect the HSI to be range traded between 12,200 to 12,500.

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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 6th August	9,815.33	1,776.89	10,972.57	1,922.75	820.10	610.94	5,399.16
30th July	10,139.71	1,887.36	11,325.78	1,891.71	833.98	636.70	5,420.57
Change	-324.38	-110.47	-353.21	+31.04	-13.88	-25.76	-21.41
%	-3.2%	-5.9%	-3.1%	+1.6%	-1.7%	-4.0%	-0.4%

Major Changes in Index Constituent Stocks (Week ended 6th August 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @06/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	0005	HK\$119.0	+HK\$4.00	+3.5%	Shares of the bank grew after reporting better-than-expected set of interim results.
Hutchison Whampoa	0013	HK\$56.25	+HK\$3.50	+6.6%	The share price was helped by a network sharing deal with Telstra corp. that boosted sentiment toward 3G mobile phones and spurred speculation that it might forge similar alliance in Europe.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @06/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Yanzhou Coal Mining	1171	HK\$8.65	-HK\$0.8	+8.5%	The central government would double the tax on coal to 2.4 yuan a tonne that would negatively affect the company's profit.
Aluminum Corp. of China	2600	HK\$3.7	-HK\$0.475	-11.7%	Chalco announced that it would lower the alumina prices by 13% from the present 4,300 yuan per tonne to 3,750 yuan per tonne.

Summary of US Economic News

Indicator	Change/Index	Comments
Auto sales - July	17.3 million-unit	Auto sales rebounded in July as car-makers boosted incentives to lure buyers. Total sales of cars and light trucks rose to a 17.3 million-unit annual rate.
Construction spending - June	-0.3%	Construction spending dropped 0.3% in June to an annual rate of US\$985.2 billion. The department also revised May's figure to 0.1% gain from 0.3% gain. Residential construction spending fell as hot housing market was seen cooling down a bit.
ISM manufacturing index - July	62.0	ISM manufacturing index for July rose to 62.0 from 61.1 in June, which is helped by increased orders and production. Manufacturing is running very strong after it slowed in the April-June.
ISM non-manufacturing index - July	64.8	ISM index of financial services, construction, retail and non-manufacturing enterprises rose to 64.8 from 59.9 in June. The index has been greater than 50, signalling expansion, since April 2003.



Personal Income - June	+0.2%	Incomes rose 0.2% after rising 0.6% in May. The gain in incomes was the smallest since September 2003.
Personal Spending - June	-0.7%	Expenditures on goods and services dropped 0.7% in June after rising 1% in May. The decline in spending was the 1 st time since September 2003 and the largest since September 2001.
Factory orders - June	+0.7%	Factory orders advanced 0.7%, after a revised 0.4% gain in May that was initially reported as a 0.3% fall.
Unemployment rate - July	5.5%	The unemployment rate declined to 5.5% in July, the lowest since October 2001, from 5.6% in June.

Forthcoming Important Announcements / Events

9 th August 2004 (Monday)	HK	: Dah Sing Financial (0440) – H1 results Dah Sing Financial (2356) – H1 results Pacific Century Insurance (0065) – H1 results
	US	: Wholesale inventories – July Americredit – Q4 results Beverly Enterprises – Q2 results
10 th August 2004 (Tuesday)	HK	: International Bank of Asia (0636) – H1 results Kerry Property (0683) – H1 results Huaneng Power (0902)– H1 results Huaneng Power (0902)– H1 results Angang New Steel (0347) – H1 results
	US	: Productivity – June FOMC meeting Walt Disney – Q3 results AOL Latin America – Q2 results Alliance Gaming – Q4 results
11 th August 2004 (Wednesday)	HK	: Cathay Pacific (0293) – H1 results Hong Kong Exchange (0388) – H1 results Tsingtao Brewery (0168) – H1 results
	US	: Treasury budget Fox Entertainment – Q2 results News Corp – Q2 results
12 th August 2004 (Thursday)	HK	: Swire A (0019) – H1 results Swire B (0087) – H1 results Li & Fung (0494) – H1 results
	US	: Business inventories Jobless claims Retail sales Import and export prices Tiffany & Co. – Q2 results Wal-Mart – Q2 results Kohl's Corp – Q2 results ECI Telecom – Q2 results Analog Devices – Q3 results
13 th August 2004 (Friday)	HK	: CSMC – IPO listing
	US	: Trade Balance PPI Michigan consumer sentiment