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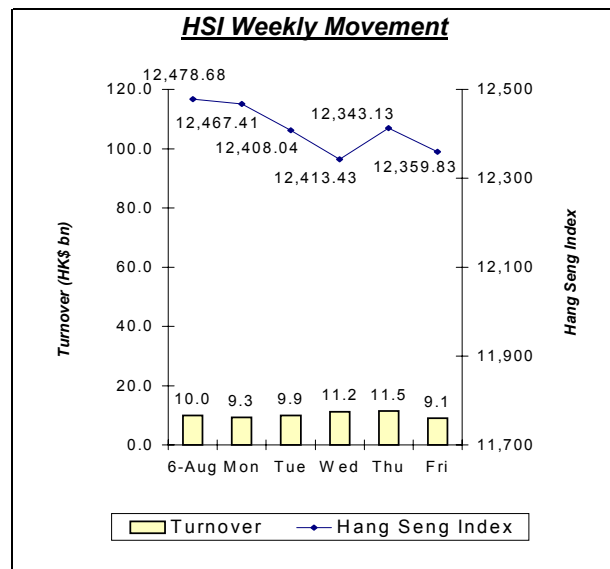
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Weekly Report14th August 2004**The HSI declined on record-high oil price ...**

Weekly Market Statistics				
Week ended	13/08/2004	06/08/2004	Change	%
Hang Seng Index	12,359.83	12,478.68	-118.85	-1.0%
HS Red Chip Index	1,309.36	1,345.23	-35.87	-2.7%
HS China Enterprises Index	4,011.11	4,276.18	-265.07	-6.2%
HS Composite Index	1,567.57	1,593.69	-26.12	-1.6%
HS HK Composite Index	1,682.42	1,697.47	-15.05	-0.9%
HS Mainland Composite Index	1,339.33	1,391.72	-52.39	-3.8%
S&P/HKEx GEM Index	1,027.44	1,050.78	-23.34	-2.2%
Avg Daily Turnover (HK\$ bn)	10.18	11.76	-1.57	-13.4%
Sectoral Indices				
Finance	25,158.04	25,378.74	-220.70	-0.9%
Utilities	28,630.86	28,571.24	+59.62	+0.2%
Properties	15,401.23	15,281.83	+119.40	+0.8%
Comm & Ind	5,110.49	5,203.38	-92.89	-1.8%

Review & Outlook of Market Performance

The HSI lost 118.85 points, or 1.0% w-o-w, to close at 12,359.83 on Friday. Average turnover was HK\$10.18 billion over the week. Record-high oil prices knocked down the market, but hopes for strong corporate results due out next week limited the market's losses.

Cathay Pacific slid 6.8% w-o-w to HK\$12.95 after reporting lower-than-expected interim profit on rising fuel costs. Li & Fung slid 4.4% w-o-w to HK\$9.9 as US reported weaker numbers on retail sales growth and business inventories. Meanwhile, Lenovo surged 12.2% w-o-w to close at HK\$2.3 after reporting a 21% y-o-y growth on 1st-quarter profit as it sold more PCs and ended losses at its handset unit.

Property counter bucked the market downtrend after Henderson Land (HK\$35.7, +1.7% w-o-w) reported stronger sales at its Grand Promenade project, while financial sector ended lower on profit taking after last week's gain. HSBC, Hang Seng Bank, BOCHK and Bank of East Asia announced that they would raise the interest rate for standard savings from 0.001% to 0.01% (but no change in the prime rate) following a 25 bps increase in the US Fed fund rate.

China-related stocks were plummeted by fears that mainland authorities will raise interest rates following the recent US rate hike. The HSCEI dropped 6.2% w-o-w to 4,011.11, while HSCCI dropped 2.7% w-o-w to 1,309.36. Among the China plays, Huaneng Power (HK\$5.4, -11.5% w-o-w) dropped as its unit fuel cost rose by 25.8% y-o-y on a 33% jump in coal prices, which remained a major concern on the 2nd half of the year.

The reshuffle of the HSI and HSCEI was announced on Friday. Denway Motors and China Merchants will replace Shanghai Industrial and Television Broadcasts in the HSI. Ping An Insurance and China Shipping Container Lines will be included in the HSCEI while Anhui Expressway will be cut. The changes will take effect from 6th September 2004.

Looking forward into next week, the market would focus on the oil price trend and a fresh batch of corporate results. Attention should also be given to whether the Chinese government will soften its stand on tighter credit policy after soaring oil prices. The rebound on the Wall Street after Dell reported better-than-expected earnings may lend certain support to the Hong Kong market next week. However, unless we see a pullback in oil price, the market is hard to sustain any rally. We expect the market to be range traded between 12,200 and 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							
13th August	9,825.35	1,757.22	10,757.20	1,876.61	814.51	589.33	5,389.93
6th August	9,815.33	1,776.89	10,972.57	1,922.75	820.10	610.94	5,399.16
Change	+10.02	-19.67	-215.37	-46.14	-5.59	-21.61	-9.23
%	+0.1%	-1.1%	-2.0%	-2.4%	-0.7%	-3.5%	-0.2%

Major Changes in Index Constituent Stocks (Week ended 13th August 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.30	+HK\$0.25	+12.2%	The company reported 1 st -quarter profit rose by 21% y-o-y as it sold more PCs, ended losses at its handset unit and booked a one-time gain from a sale of its printed circuit board business.
Cathay Pacific	0293	HK\$12.95	-HK\$0.95	-6.8%	Shares of the carrier fell after reporting lower-than-expected set of interim results and amid concern record-high oil prices will raise the company's fuel costs.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @13/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Huaneng Power International	0902	HK\$5.40	-HK\$0.70	-11.5%	The company's unit fuel cost rose by 25.8% y-o-y on the back of a 33% jump in coal prices, which remains a major concern on the 2 nd half of the year.

Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale inventories – June	1.1%	Inventories rose 1.1% in June, greater than forecast of 0.5% gain, as sales by wholesalers failed to increase for the 1 st time in more than a year.
Non-farm Productivity – 2Q	2.9%	Non-farm productivity rose at a 2.9% annual rate in the 2 nd quarter as companies continued to run at an efficient clip.
Unit labor cost – 2Q	1.9%	The unit labor costs increased at a 1.9% pace as hourly compensation, which includes both wages and benefit costs, climbed at a sharp 4.9% pace.
FOMC meeting	+25 bps to 1.5%	The Federal Reserve raised the benchmark interest rate by 25 bps to 1.5% and restated a pledge to lift borrowing costs at a measured pace to suppress inflation without choking off growth.



Treasury Budget - July	US\$69.16 billion deficit	The July deficit was US\$69.16 billion, based on revenues of US\$134.42 billion and spending of US\$203.58 billion, wider than July 2003's US\$54.24 billion deficit. That brought the year-to-date shortfall to a record of US\$395.8 billion.
Import prices – July	0.2%	Import prices rose 0.2% in July, after a revised 0.1% decrease in June, as petroleum prices rose 0.9 percent last month, as rising petroleum costs helped push prices for goods imported into the US higher during July, reversing a 1-month dip in prices during June.
Export prices – July	0.4%	Export prices rose in July, up 0.4% following a revised 0.7% decline in June.
Initial claims – 7 th August 2004	333,000	Initial claims for unemployment insurance fell to 333,000 in the week ended 7 th August 2004, down from 337,000 the previous week. The number ease concerns about a stalled labor market as a reading below 400,000 typically indicates employers are adding positions.
Retail sales - July	0.7%	Retail sales increased 0.7% to US\$336.5 billion as spending on autos and furniture increased. July's gain followed a decline in June, when sales fell a revised 0.5% instead of 1.1% as originally reported.
Business Inventories - June	0.9%	Business inventories in June rose 0.9% to US\$1.234 trillion, marking their largest gain in 4 years and their 10 th consecutive monthly rise. Inventories at motor vehicle and parts dealers jumped 2.1%, indicating possible continued weakness in the industry.
Trade balance – June	US\$55.8 billion deficit	The US trade deficit soared to a record US\$55.8 billion in June after a revised reading of US\$46.9 billion the previous month, coming in far wider than economists had expected as climbing oil prices led to a record level of imports.
Producer Price Index (PPI) – July	0.1%	The PPI was up 0.1% in July, after a 0.3% decline in June, slightly less than 0.2% forecast. The core-PPI, which excludes food and energy, rose 0.1% in July, compared to a 0.2% in June.
Michigan Consumer Sentiment - August	94.0	The University of Michigan's index of consumer sentiment deteriorated to 94.0 in early August from 96.7 at the end of July as expectations for the economy worsened.

Forthcoming Important Announcements / Events

16 th August 2004 (Monday)	HK	:	First Pacific (0142) – H1 results Jiangxi Copper (0358) – H1 results Zhejiang Expressway (0576) – H1 results Hutchison Global Communication (0757) – H1 results
	US	:	NY Empire State Index – August Sysco Corp. – Q4 results Quintiles Transnational – Q2 results
17 th August 2004 (Tuesday)	HK	:	CITIC International Financial (0183) – H1 results Liu Chong Hing Investment (0194) – H1 results China Travel HK (0308) – H1 results Liu Chong Hing Bank (1111) – H1 results
	US	:	Housing Starts – July Building Permits – July CPI – July Core CPI – July Industrial Production – July Capacity utilisation – July Applied Materials – Q3 results Home Depot – Q2 results Deere & Co. – Q3 results Network Appliance – Q1 results



			TJX Companies Inc – Q4 results
18 th August 2004 (Wednesday)	HK	:	Hysan Development (0014) – H1 results Wing Lung Bank (0096) – H1 results Maanshan Iron & Steel (0323) – H1 results ICBC (Asia) (0349) – H1 results China Mobile (0941) – H1 results
	US	:	Intuit Inc. – Q4 results
19 th August 2004 (Thursday)	HK	:	Cheung Kong (0001) – H1 results Hutchison Whampoa (0013) – H1 results Wing Hang Bank (0302) – H1 results BOC Hong Kong (2388) – H1 results
	US	:	Initial Claims – 14 th August 2004 Leading Indicators – July Philadelphia Fed Survey – August Money Supply CIENA Corp. – Q3 results Autodesk Inc. – Q2 results Novell Inc. – Q3 results Navistar International – Q3 results Limited Inc. – Q2 results
20 th August 2004 (Friday)	HK	:	Jiangsu Expressway (0177) – H1 results Sinopec Beijing Yanhua (0325) – H1 results Sinopec Zhenhai Refinery(1128) – H1 results