



HSBC Asset Management

Chinese Equity

May 2004

Objective

HSBC Global Investment Funds - Chinese Equity seeks long-term capital growth through a well diversified portfolio of investments in equity and equity equivalent securities of companies registered in, and/or with an official listing on a major stock exchange or other regulated market of China, including Hong Kong SAR, as well as those with significant operations in China. There are no capitalisation restrictions, and it is anticipated that the sub-fund will seek to invest across a range of capitalisations.

Manager's review and comments

Market review

- ◆ Concerns of a potential slowdown in economic growth resulting from China's credit tightening triggered a market decline.
- ◆ Fixed asset investment surged 43% year-on-year and GDP expanded by 9.7% in 1Q04.
- ◆ Electric power stocks outperformed while the basic materials sector underperformed.

Fund strategy

- ◆ We have increased our positions in power and infrastructure sectors and reduced basic materials exposure.
- ◆ Our overweight position in Huaneng Power boosted Fund performance over the month.
- ◆ Our underweight position in the technology sector added value to Fund performance.

Market outlook

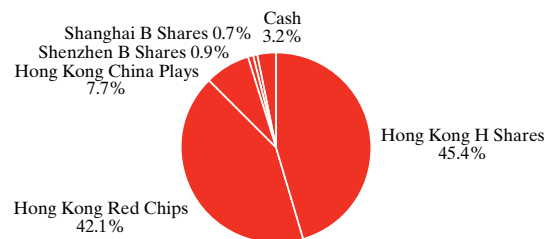
- ◆ The aim of government credit tightening is to alleviate raw material shortage.
- ◆ Sentiment will be cautious in the near term over concerns of economic slowdown from the recent credit tightening.
- ◆ China's long term economic growth remains intact, driven by robust domestic consumption.

Fund details

Fund size	: US\$1,256.36 million
Fund prices (bid/offer)	: US\$29.042 / US\$30.651 (Class AD)
Past 12 mths Hi/Lo bid	: US\$36.272 / US\$17.209 (Class AD)
Launch date	: 25 June 1992
Minimum investment	: US\$1,000
Dealing	: Daily, by 4:00pm (HK Time)
Fund manager	: Richard Wong
Initial charge	: 5.25%
Management fee	: 1.5% per annum
Switching charge	: 1%
Financial year-end	: 31 March
Dividend payment	: Yearly
Last dividend value	: US\$0.179
Ex-dividend date	: 29 November 2002
Investment adviser	: HSBC Asset Management (Hong Kong) Limited

Source: HSBC Investment Funds (Hong Kong) Limited as at 30 April 2004

Asset allocation



Top 10 holdings

Securities	Industry	Country	Holdings
Huaneng Power	Electricity	Hong Kong	6.8%
China Petroleum and Chemical	Oil & gas	Hong Kong	5.5%
BOC Hong Kong (Holdings)	Banks	Hong Kong	5.3%
China Mobile (HK)	Telecommunication services	Hong Kong	5.1%
Citic Pacific	Diversified industrials	Hong Kong	4.4%
Petrochina	Oil & gas	Hong Kong	3.8%
Cosco Pacific	Transport	Hong Kong	3.8%
China Telecom	Telecommunication services	Hong Kong	3.7%
Aluminum Corp of China	Steel & other metals	Hong Kong	3.6%
CNOOC	Oil & gas	Hong Kong	3.5%

Performance



Cumulative performance in US\$ (%)

	3 mths	1 yr	3 yrs	5 yrs	Since launch
Fund	-13.8	68.4	47.5	94.8	206.9
Benchmark	-16.1	60.6	24.0	51.6	-25.7

Calendar year performance in US\$ (%)

	99	00	01	02	03	YTD
Fund	42.4	-18.5	7.4	-2.6	105.6	-15.1
Benchmark	38.9	-9.1	-6.4	-8.3	88.9	-15.8

Source: Standard & Poor's Fund Services and CLSA as at 30 April 2004. Bid to Bid price with dividend reinvested

Note: Benchmark was Peregrine Greater China Index before January 1998 and CLSA China World afterwards

Please refer to the Summary of the Explanatory Memoranda for more information. Investment involves risk. Past performance is no guide to future performance.

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