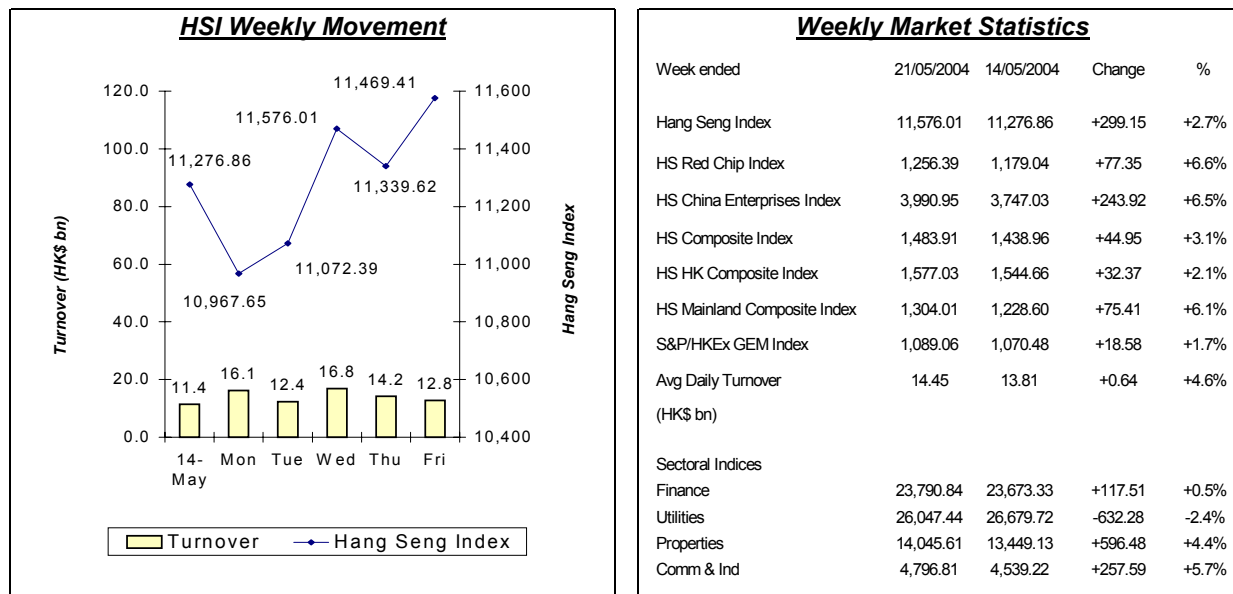


**Restricted circulation**

Analyst: Louis Chan

**Weekly Report**

 22<sup>nd</sup> May 2004

**A week of modest rebound**

**Review & Outlook of Market Performance**

Trading in the local bourse has been volatile this week. The local stocks first tapped fresh year lows on Monday on the continually-surgeing international oil prices. However, the recent sharp sell-off did seem a bit overdone with value re-emerging from most of the quality counters. Consequently, the HSI managed to reap in 299.15 points, or 2.7%, throughout the week to finish at 11,576.01. Average daily market turnover also slightly improved to HK\$14.45 billion, versus last week's HK\$13.81 billion.

Leading the blue-chip gainers was Esprit (HK\$31.40), which rose 13.2% w-o-w as investors believed that the group should be able to turn around some of its loss-making businesses soon. Punters also stacked up CNOOC (HK\$3.125, +12.6% w-o-w) after the company said its shareholders had approved it could buy back no more than 10% of its issued shares. Elsewhere, gains were recorded in the property sector with the HS Properties Sub-index up 4.4% w-o-w after K. Wah International (HK\$1.16, -0.9% w-o-w) submitted an aggressive HK\$682-million bid for a residential site in Kowloon City through the application system. Major property counters like Henderson Land (HK\$32.50) and Hang Lung Properties (HK\$9.70) rose 7.6% and 7.8% w-o-w.

China plays also sprang back to life after PBOC had ruled out an immediate interest-rate hike. Amongst all, performance of H-share Zhenhai Refining & Chemical was the most impressive (HK\$6.60, +38.2% w-o-w) after the refinery raised petroleum-product prices. Index heavyweight Chalco (HK\$4.20) also made a handsome comeback this week (HK\$4.2, +14.3% w-o-w). China Telecom, despite having its US\$1.725-billion share placement during the week, managed to close at HK\$2.30 on Friday (+2.2% w-o-w), the same price at which it placed its shares.

Looking into next week, investors will likely focus on a handful of economic data to be released in the US and Hong Kong. The US will announce a couple of home-sales numbers, the Q1 GDP figure as well as April's personal income and spending. The Hong Kong Government will also release the Q1 GDP and make its latest economic forecast for the whole year. Meanwhile, there will also be 2 pieces of residential lands up for grabs next week in the 1<sup>st</sup> public land auction since September 2002. We see the HSI to range-trade between 11,350 to 11,650 with a good support at 11,200.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

**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 21st May	9,966.74	1,912.09	11,070.25	1,767.23	791.53	615.41	5,964.94
14th May	10,012.87	1,904.25	10,849.63	1,754.96	793.97	609.72	5,777.32
<b>Change</b>	-46.13	+7.84	+220.62	+12.27	-2.44	+5.69	+187.62
<b>%</b>	-0.5%	+0.4%	+2.0%	+0.7%	-0.3%	+0.9%	+3.2%

**Major Changes in Index Constituent Stocks (Week ended 21<sup>st</sup> May 2004)****Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @21/05/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Zhenhai Refining & Chemical	1128	HK\$6.600	+HK\$1.825	+38.2%	Shares of the mainland's top refinery shot up more than one-third this week after it raised petroleum product prices.
China Shipping Development	1138	HK\$4.025	+HK\$0.400	+11.0%	The counter was well supported this week by the upcoming IPO of mainland peer China Shipping Container Lines.

**Hang Seng China-Affiliated Corporations Index (HSCCI)**

Stock	Stock Code	Closing Price @21/05/04	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$3.125	+HK\$0.350	+12.6%	Shares of the offshore oil producer were stronger this week as the company said its shareholders had approved it could buy back no more than 10% of its issued shares. Meanwhile, keen laggard buying into the stock also gave it a big helping hand.
COSCO Pacific	1199	HK\$9.85	+HK\$0.95	+10.7%	The counter was well supported this week by the upcoming IPO of fellow mainland transportation & logistics company China Shipping Container Lines.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing starts - April	-2.1% m-o-m	Housing starts slipped 2.1% to a seasonally-adjusted annual rate of 1.97 million units in April.
Index of leading indicators - April	115.9	The index of leading indicators rose 0.1% to 115.9 in April, following an upwardly-revised 0.8% increase in March, which was the biggest gain since May 2003.

**Forthcoming Important Announcements / Events**

24 <sup>th</sup> May 2004 (Monday)	<b>US</b>	:	<b>Campbell Soup – Q3 results</b> Novell – Q2 results
25 <sup>th</sup> May 2004 (Tuesday)	<b>HK</b>	:	Tingyi (Cayman Islands) (0322) – Q1 results <b>Land auction of 2 residential sites – Ma On Shan and Sha Tin</b>
	<b>US</b>	:	<b>Consumer confidence – May</b> <b>Existing-home sales – April</b> HJ Heinz – Q4 results
26 <sup>th</sup> May 2004 (Wednesday)	<b>HK</b>	:	Buddha’s Birthday holiday
	<b>US</b>	:	<b>Durable-goods orders – April</b> New-home sales – April
27 <sup>th</sup> May 2004 (Thursday)	<b>HK</b>	:	IDT International (0167) – final results
	<b>US</b>	:	<b>GDP (preliminary) – Q1</b>
28 <sup>th</sup> May 2004 (Friday)	<b>HK</b>	:	GDP – Q1 Angang New Steel (0347) – inclusion to MSCI China index* Anhui Conch Cement (0914) – inclusion to MSCI China index* Beijing Yanhua (0325) – inclusion to MSCI China index* BYD (1211) – inclusion to MSCI China index* Guangzhou Investment (0123) – inclusion to MSCI China index* <b>Kerry Properties (0683) – inclusion to MSCI HK index*</b> Kingboard (0148) – inclusion to both MSCI global & HK indices* Maanshan Iron & Steel (0323) – inclusion to MSCI China index* Orient Overseas (Int’l) (0316) – inclusion to MSCI HK index* PICC Property & Casualty (2328) – inclusion to MSCI China index* Shenzhen Expressway (0548) – inclusion to MSCI China index*
	<b>US</b>	:	Weiqiao Textile (2698) – inclusion to MSCI China index* Personal income – April Personal spending – April

\* with effect from the market-close on 28<sup>th</sup> May 2004