



# BEA securities

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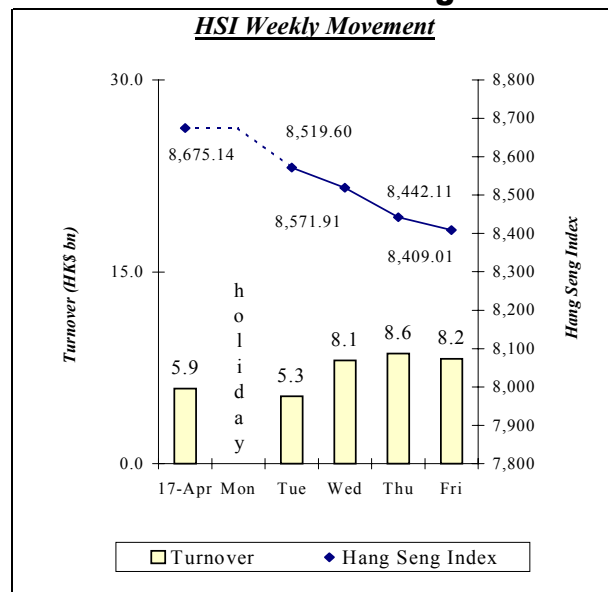
Restricted circulation

Analyst: Louis Chan

Weekly Report

26<sup>th</sup> April, 2003

### Another falling week on intensifying SARS threats



<u>Weekly Market Statistics</u>				
Week ended	25/04/2003	17/04/2003	Change	%
Hang Seng Index	8,409.01	8,579.14	-170.13	-2.0%
HS Red Chip Index	847.97	893.02	-45.05	-5.0%
HS China Enterprises Index	2,088.17	2,192.47	-104.30	-4.8%
HS Composite Index	1,031.29	1,057.00	-25.71	-2.4%
HS HK Composite Index	1,126.87	1,144.75	-17.88	-1.6%
HS Mainland Composite Index	826.41	871.01	-44.60	-5.1%
S&P/HKEx GEM Index	907.94	939.34	-31.40	-3.3%
Avg Daily Turnover (HK\$ bn)	7.54	7.52	+0.02	+0.3%
Sectoral Indices				
Finance	17,395.91	17,656.63	-260.72	-1.5%
Utilities	21,990.24	22,437.31	-447.07	-2.0%
Properties	8,961.54	8,946.09	+15.45	+0.2%
Comm & Ind	3,485.81	3,598.07	-112.26	-3.1%

### Review & Outlook of Market Performance

Facing an intensifying threat of the SARS virus, the HKSAR Government announced during the week an HK\$11.8-billion relief package hoping to counter the adverse economic impact of the virus. However, those measures failed to lift investor sentiment and the HSI has gone from bad to worse, registering an entire downtrend this week. The index closed on Friday at a fresh 4½-year low of 8,409.01, down 170.13 points or 2.0% w-o-w. Average daily turnover, however, increased to HK\$7.54 billion.

Cathay Pacific (HK\$8.50) fell another 3.4% this week after announcing that it might reconsider the level of payout of the proposed HK\$1.8-billion final dividend for FY2002 due to the dramatic downturn in air travel amid the SARS spread. In fact, the counter has already fallen by more than 25% since the SARS outbreak in late March. Meanwhile, Swire Pacific (HK\$28.45, -3.4% w-o-w) and CITIC Pacific (HK\$14.70, -3.3% w-o-w), which hold 46% and 26% stakes respectively in the airline, both headed south this week. Most mainland travel-related stocks were also hard hit after China announced to shorten the week-long holidays in early May to curb the spread of the SARS. Airlines CNAC (HK\$0.81), China Southern (HK\$1.49) and China Eastern (HK\$0.74) recorded weekly losses of 18.2%, 12.4% and 10.8% respectively. Beijing Capital International Airport (HK\$1.48, -14.0% w-o-w) and Hainan Meilan Airport (HK\$3.10, -10.8% w-o-w) also tumbled while China Travel International (HK\$0.86) was thumped 8.5% over the week. Meanwhile, retailer Giordano also suffered on worries that the holiday-cancellation arrangement would further hurt its sales. Shares of Giordano finished the week at HK\$1.87 each, down 4.6% w-o-w.

Bucking the trend was Kerry Properties (HK\$8.35), which closed 39.2% higher compared with its share price before trading was suspended earlier, on news that its parent would take the company private for HK\$3.2 billion. The deal values Kerry's shares at HK\$8.50 apiece.

Looking forward into next week, downward pressure on the HSI still exists as Hong Kong is still suffering from the deadly SARS threats. Meanwhile, worries over the health of the US economy should put more weights on the local index, after the release of the lower-than-expected Q1 GDP figures on Friday. However, we do expect some bargain hunting when the index falls to around 8,200.

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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 25th April	8,306.35	1,434.54	7,699.50	1,229.14	627.73	368.53	4,233.54
18th April	8,337.65 (17/4)	1,425.50 (17/4)	7,874.51	1,282.51 (17/4)	635.61	384.50	4,658.30
Change	-31.30	+9.04	-175.01	-53.37	-7.88	-15.97	-424.76
%	-0.4%	+0.6%	-2.2%	-4.2%	-1.2%	-4.2%	-9.1%

### Index Weighting Changes (Week ended 25<sup>th</sup> April 2003)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @25/04/03	W-O-W Change		Remarks / Comments
			Absolute	%	
Shanghai Industrial	0363	HK\$9.20	-HK\$1.90	-17.1%	The red chip plunged this week, partly due to its weaker-than-expected FY2002 results. In addition, investors were let down as the company failed to clarify its negotiation progress over the guaranteed-return projects.
Legend	0992	HK\$2.05	-HK\$0.40	-16.3%	The PC maker suffered this week after earlier reports of slower 1 <sup>st</sup> -quarter PC sales. Concerns over China's weakening consumer spending, which is exacerbated by the shortening of the week-long Labour Day holidays due to the SARS spread, also clouded the counter.

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @25/04/03	W-O-W Change		Remarks / Comments
			Absolute	%	
Qingling Motors	1122	HK\$0.90	-HK\$0.14	-13.5%	Qingling Motors plunged this week after announcing a 44% fall in net profit to 146.8 million yuan for the year ended 31 <sup>st</sup> December 2002, due to severe competition in China's auto market and higher operating expenses. Sales volume of commercial vehicles indeed deteriorated in the 2 <sup>nd</sup> half of 2002, as the number was down 10% h-o-h.

### Summary of US Economic News

Indicator	Change/Index	Comments
Leading indicators - March	110.6	The leading index declined for a 2 <sup>nd</sup> -consecutive month in March after going down 0.2 percentage point in the month and dipping 0.5 percentage point in February.
Durable-goods orders - March	+2.0% m-o-m	Orders for US durable goods rose 2.0% in March after declining 1.5% in February, the 2 <sup>nd</sup> increase in the past 3 months.
GDP (advance) - Q1	+1.6% q-o-q	US GDP growth rate was 1.6% in the 1 <sup>st</sup> quarter of 2003, less than earlier forecasts of a 2.3% rate of expansion and barely better than the 1.4% growth rate in the 4 <sup>th</sup> quarter last year.
Existing-home sales - March	-5.6% m-o-m	Existing-home sales fell 5.6% to a 5.53-million-unit annual rate in March, versus a 5.77-million-unit rate expected by the market. In February, sales of existing homes reached 5.86 million units in annual rate.
New-home sales - March	+7.3% m-o-m	New-home sales rose 7.3% to a 1.012-million-unit annual rate in March, exceeding earlier forecasts of an 898,000-unit sales pace. In February, new-home sales reached 943,000 units in annual rate.

**Forthcoming Important Announcements / Events**

28 <sup>th</sup> April, 2003 (Monday)	<b>HK</b>	:	Brilliance China Automotive (1114) – final results Convenience Retail Asia (8052) – Q1 results TCL International (1070) – final results Tingyi (Cayman Islands) (0322) – final results
	<b>US</b>	:	Personal income – March Personal spending – March Allergan – Q1 results McDonald's – Q1 results Procter & Gamble – Q3 results
29 <sup>th</sup> April, 2003 (Tuesday)	<b>HK</b>	:	Luoyang Glass (1108) – final results Mudan Automobile (8188) – Q1 results Wanyou Fire Safety Technology (8201) – Q1 results
	<b>US</b>	:	Consumer confidence – April Bristol-Myers Squibb – Q1 results Du Pont EI de Nemours – Q1 results Halliburton – Q1 results JDS Uniphase – Q3 results McGraw-Hill – Q1 results
30 <sup>th</sup> April, 2003 (Wednesday)	<b>US</b>	:	Chubb – Q1 results Qwest Communications International – Q1 results
1 <sup>st</sup> May, 2003 (Thursday)	<b>HK</b>	:	Labour Day holiday
	<b>US</b>	:	Auto sales – April Construction spending – March ISM manufacturing index – April Exxon Mobile – Q1 results Priceline.com – Q1 results Tyco International – Q3 results Walt Disney – Q2 results
2 <sup>nd</sup> May, 2003 (Friday)	<b>US</b>	:	Unemployment rate – April UAL – Q1 results