

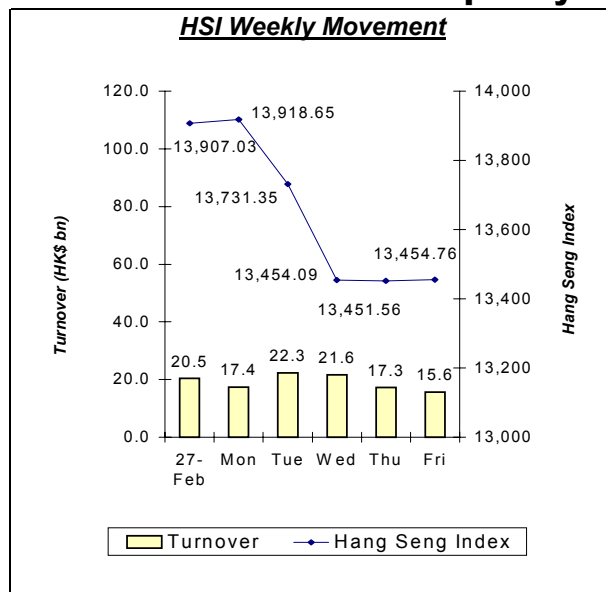
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report6th March, 2004**HSI thumped by the banking counters**

<u>Weekly Market Statistics</u>				
Week ended	05/03/2004	27/02/2004	Change	%
Hang Seng Index	13,454.76	13,907.03	-452.27	-3.3%
HS Red Chip Index	1,609.66	1,631.41	-21.75	-1.3%
HS China Enterprises Index	5,033.14	5,102.14	-69.00	-1.4%
HS Composite Index	1,743.56	1,791.41	-47.85	-2.7%
HS HK Composite Index	1,797.53	1,857.47	-59.94	-3.2%
HS Mainland Composite Index	1,661.43	1,681.02	-19.59	-1.2%
S&P/HKEx GEM Index	1,370.25	1,342.59	+27.66	+2.1%
Avg Daily Turnover (HK\$ bn)	18.84	17.07	+1.77	+10.4%
Sectoral Indices				
Finance	26,299.78	27,668.69	-1,368.91	-4.9%
Utilities	27,037.01	27,378.71	-341.70	-1.2%
Properties	17,050.73	17,434.96	-384.23	-2.2%
Comm & Ind	5,919.36	6,042.13	-122.77	-2.0%

Review & Outlook of Market Performance

After failing to breach the 14,000 mark earlier this week, Hong Kong stocks headed south later on after disappointments in certain company results. Some investors had indeed taken a wait-and-see stance ahead of any possible revisions in the blue-chip earnings forecasts. The benchmark HSI eventually landed at 13,454.76 on Friday, down 452.27 points or 3.3% on week, with an average daily turnover of HK\$18.84 billion.

Despite some in-line results from global banking giant HSBC (HK\$122.00, -4.7%), sentiment towards the local banking sector was battered after Hang Seng Bank let investors down with a 3.8% decline in its 2003 earnings. Weighed down by the below-par results, the counter plunged 7.7% w-o-w to HK\$102.00. Over the week, local peers BOC HK (HK\$15.35) and The Bank of East Asia (HK\$23.80) also dropped 3.5% and 5.9% respectively, pushing the HS Finance Sub-index down 4.9%. On the other hand, mid-tier lender Dah Sing Financial (HK\$62.75) did have a good run over the week, as it ran up 4.6% after topping market expectations with a 16.5% rise in its 2003 net profit.

Hongkong Electric (HK\$32.50) also discouraged investors during the week after revealing an 8.6% decline in its 2003 net profit. Outlook does seem dull for the company as SOC earnings are expected to be flat in 2004 on the back of another year of tariff freeze. The stock eventually ended the week down 2.7% whereas another utility counter CLP (HK\$39.40) edged down 1.8%. In the meantime, MTRC (HK\$12.25) has seen a 24.3% growth in its bottom line for 2003, thanks mainly to its huge property profit contribution. In fact, the commuter was still making losses in its core railway operations and consequently its share price was down 0.8% w-o-w.

PCCW announced another in-red result with a HK\$6.1-billion net loss for 2003 due to a series of provisions. The counter was indeed suspended from trading on Friday pending an announcement of the proposed spin-off of its property arm while it closed on Thursday at HK\$6.00, down 2.4% from the previous Friday.

Next week's focus will be on the Financial Secretary's budget address on Wednesday while the GDP report for 2003 will also be announced. Investors should also focus on a series of earnings reports, particularly those of Swire Pacific, SHK Properties, Hysan, Kerry Properties as well as smaller lenders like Liu Chong Hing Bank and Wing Hang Bank. The market should have stabilized a bit after the recent correction and may need some stimulant to go higher. Meanwhile, we see the HSI should range-trade between 13,200 to 13,800 next week.

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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							
5th March	10,595.55	2,047.63	11,537.29	1,891.54	886.15	700.59	6,943.68
27th February	10,583.92	2,029.82	11,041.92	1,888.63	879.24	716.30	6,750.54
Change	+11.63	+17.81	+495.37	+2.91	+6.91	-15.71	+193.14
%	+0.1%	+0.9%	+4.5%	+0.2%	+0.8%	-2.2%	+2.9%

Index Weighting Changes (Week ended 5th March 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @05/03/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Hang Seng Bank	0011	HK\$102.00	-HK\$8.50	-7.7%	The bank reported a lower-than-expected net profit for 2003 (-3.8%), due to higher bad-debt charges and lower net interest income.
Yue Yuen Industrial	0551	HK\$24.20	+HK\$1.70	+7.6%	Yue Yuen announced it would buy a substantial stake in sportswear manufacturer Eagle Nice for HK\$318.4 million, sparking a rally in its share price.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @05/03/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	HK\$3.40	+HK\$0.40	+13.3%	The counter ran higher after the continued strength in steel prices and China Oriental's successful IPO during the week.

Summary of US Economic News

Indicator	Change/Index	Comments
Personal income - January	+0.4% m-o-m	Personal spending jumped 0.4% in January after rising a revised 0.5% in December. Personal income rose 0.2% in January after increasing a revised 0.3% in December.
Personal spending - January	+0.2% m-o-m	
Construction spending - January	-0.3% m-o-m	Construction spending dipped 0.3% in January to a US\$931.18-billion annual pace, after an upwardly-revised 0.6% increase in December. The January drop, the 1 st since May 2003, has missed projections for a 0.2% gain.
ISM manufacturing index - February	61.4	The ISM manufacturing index fell to 61.4 in February from a revised 63.6 in January.
ISM services index - February	60.8	The ISM non-manufacturing index fell to a lower-than-expected 60.8 in February from 65.7 in January.
Factory orders - January	-0.5% m-o-m	New orders at US factories fell 0.5% in January, following an upwardly-revised 1.8% increase in December.
Unemployment rate - February	5.6%	Payrolls outside the farm sector grew by just 21,000 jobs in February, compared with a downwardly-revised 97,000 gain in January. Unemployment rate stayed flat at 5.6%. Economists expected 125,000 new jobs and a 5.6% unemployment.
Consumer credit - January	+US\$14.3 billion m-o-m	Consumer credit rose sharply by US\$14.3 billion in January, versus a projection for a US\$5.9-billion gain in the month and a revised US\$8.2-billion gain in December.

Forthcoming Important Announcements / Events

8 th March, 2004 (Monday)	HK	:	Retail sales – January Great Eagle (0041) – final results Vanda Systems & Communications (0757) – final results
	US	:	Berkshire Hathaway – Q4 results
9 th March, 2004 (Tuesday)	HK	:	Cheung Kong Infrastructure (1038) – final results CK Life Sciences International (8222) – final results EcoGreen Fine Chemicals (2341) – trading debut Harbour Centre Development (0051) – final results Hong Kong Aircraft Engineering Co (0044) – final results Hong Kong Building & Loan Agency (0145) – final results Hysan Development (0014) – final results Kerry Properties (0683) – final results
	US	:	SmarTone Telecommunications (0315) – H1 results Kroger – Q4 results
10 th March, 2004 (Wednesday)	HK	:	GDP – Q4 2003 Financial Secretary's budget address Cathay Pacific Airways (0293) – final results Liu Chong Hing Bank (1111) – final results Liu Chong Hing Investment (0194) – final results Phoenix Satellite Television (8002) – H1 results
	US	:	Trade balance – January Wholesale inventories – January
11 th March, 2004 (Thursday)	HK	:	Anhui Expressway (0995) – final results Asia Satellite Telecommunications (1135) – final results Chongqing Iron & Steel (1053) – final results Guoco Group (0053) – H1 results Hong Kong & China Gas (0003) – final results I-Cable Communications (1097) – final results Jiangxi Copper (0358) – final results SHK Properties (0016) – H1 results Swire Pacific (0019) – final results TOM Online (8282) – trading debut TravelSky Technology (0696) – final results Weichai Power (2338) – trading debut Wing Hang Bank (0302) – final results
	US	:	Retail sales – February Oracle – Q3 results
12 th March, 2004 (Friday)	HK	:	China Shipping Development (1138) – final results Hong Kong Ferry (Holdings) (0050) – final results
	US	:	Current-account balance – Q4 Producer price index – February Business inventories – January