



# BEA securities

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HONG KONG RESEARCH

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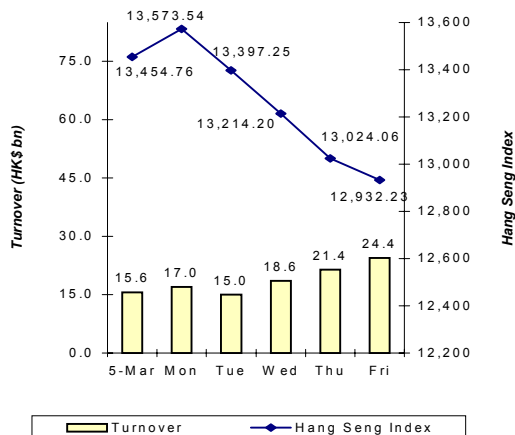
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Weekly Report

13<sup>th</sup> March, 2004

## Terrorist attack and profit taking thumped the HSI

**HSI Weekly Movement**



**Weekly Market Statistics**

Week ended	12/03/04	05/03/04	Change	%
Hang Seng Index	12,932.23	13,454.76	-522.53	-3.9%
HS Red Chip Index	1,514.82	1,609.66	-94.84	-5.9%
HS China Enterprises Index	4,866.05	5,033.14	-167.09	-3.3%
HS Composite Index	1,677.52	1,743.56	-66.04	-3.8%
HS HK Composite Index	1,737.89	1,797.53	-59.64	-3.3%
HS Mainland Composite Index	1,578.85	1,661.43	-82.58	-5.0%
S&P/HKEX GEM	1,265.52	1,370.25	-104.73	-7.6%
Avg Daily Turnover (HK\$ bn)	19.28	18.84	+0.44	+2.3%
Sectoral Indices				
Finance	25,681.07	26,299.78	-618.71	-2.4%
Utilities	26,865.35	27,037.01	-171.66	-0.6%
Properties	16,056.88	17,050.73	-993.85	-5.8%
Comm & Ind	5,601.75	5,919.36	-317.61	-5.4%

## Review & Outlook of Market Performance

Hong Kong stocks continued last week's poor run, dragged lower by the recent meagreness on Wall Street (Dow: -3.35% w-o-w; Nasdaq: -3.07% w-o-w) and investors' growing worries that the market may be losing steam after the 9-month rally. On Wednesday, the Financial Secretary announced the 2004/05 budget but gave no surprises to the market. The city's GDP grew 3.3% in real terms in 2003 and is expected to rise by 6% in 2004. In addition, the fiscal deficit was estimated to be HK\$49 billion for the 2003/04 fiscal year and HK\$42.6 billion for 2004/05.

The HSI failed to hold up at the 13,000 level on Friday after a deadly bomb blast in Spain, spurring fresh worries about further terrorist attacks around the world. With a nearly cross-the-board selling, the HSI landed at 12,932.23, down 3.9% or 522.53 points w-o-w. Average daily turnover was HK\$19.28 billion. Meanwhile, H shares were battered hard after China outlined plans to curb the country's breakneck pace of economic growth and did not offer any concrete plans to revalue its currency. The H-share index plunged 3.3% w-o-w.

During the week, a raft of blue-chip companies announced their results, including Swire Pacific (HK\$52.00, -1.9% w-o-w), Cathay Pacific (HK\$15.75, -0.6% w-o-w), Hong Kong & China Gas (HK\$12.90, -4.8% w-o-w) and SHK Properties (HK\$70.75, -5.4% w-o-w). There was not much surprise from their results, except the report card of Cathay Pacific. The flagship airliner reported a better-than-expected net profit of HK\$1.3 billion for FY2003, down 67.3%, but marked a significant rebound from the 1<sup>st</sup>-half loss of HK\$1.24 billion.

Newcomers wireless value-added service provider TOM Online and diesel-engine maker Weichai Power had mixed fortunes on their trading debut this week amid the sliding broader market. Shares of TOM Online was under water, closing the week at HK\$1.36 (IPO Price: HK\$1.50), while Weichai Power was welcomed by investors, with its shares up 35.7% during its first 2 days of trading to close at HK\$14.25 on Friday (IPO price: HK\$10.50).

Next week, market attention will undoubtedly fall on a flock of results announcement (Hutchison Whampoa, Cheung Kong, China Mobile, China Telecom and Henderson Land). Any negative surprises from their results should further dampen the currently weakened market sentiment. After these 2 weeks' fall, the HSI had given up a total of 7.2%. We believe a near-term technical rebound should on schedule. However, with the refreshed terrorist attack fear, the risk is on the downside. The HSI has tested its near term support level of 12,800 this week and with the US markets rebounded a bit on Friday, the HSI is expected to rebound above the 13,000 level next week pending results of those blue chip announcements.

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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 12th March	10,240.08	1,984.73	11,162.75	1,835.08	884.55	695.08	6,800.24
5th March	10,595.55	2,047.63	11,537.29	1,891.54	886.15	700.59	6,943.68
Change	-355.47	-62.90	-374.54	-56.46	-1.60	-5.51	-143.44
%	-3.35%	-3.07%	-3.25%	-2.98%	-0.18%	-0.79%	-2.07%

**Index Weighting Changes (week ended 12<sup>th</sup> March 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @12/03/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Hutchison Whampoa	0013	HK\$58.25	-HK\$4.00	-6.4%	The telecom-to-ports conglomerate plunged this week after it planned to repay the outstanding bank loans of £1.5 billion for its UK 3G unit ahead of schedule.
PCCW	0008	HK\$5.35	-HK\$0.65	-10.8%	The fixed-line operator resumed trading this week after the announcement of the proposed spin-off of property arm to Dong Fang Gas. Heavy selling pressure was seen after it posted a worse-than-expected net loss for 2003.
SHKP	0016	HK\$70.75	-HK\$4.00	-5.4%	Shares of the developer were weaker after announcing a 22.7% y-o-y drop in net profit for the 6 months ended 31 <sup>st</sup> December 2003.

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

Stock	Stock Code	Closing Price @12/03/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
TravelSky Technology	0696	HK\$6.15	-HK\$1.70	-21.7%	The travel-software firm tumbled this week after it posted a 46.5% drop in 2003 net profit, which was poorer than expected.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Trade balance - January	US\$43.06-billion deficit	The trade gap unexpectedly widened to US\$43.06 billion in January from an upwardly-revised shortfall of US\$42.69 billion in December.
Wholesale inventories - January	+0.1% m-o-m	Wholesale inventories rose 0.1% in January to a seasonally-adjusted US\$295.79 billion, the Commerce Department said. December wholesale inventories were left unrevised at a 0.6% gain.
Retail sales - February	+0.6% m-o-m	The 0.6% advance in retail sales in February, represented the largest increase since November, after sales rose by a revised 0.2% gain in January.
Business inventories - January	+0.1% m-o-m	Business inventories edged up 0.1% to a seasonally-adjusted level of US\$1.194 trillion in January, following an unrevised 0.3% advance in December.

**Forthcoming Important Announcements / Events**

15 <sup>th</sup> March 2004 (Monday)	<b>HK</b>	: CASH Financial Services (8122)- final results Chia Hsin Cement (0699)- final results China Resources Logic (1193)- final results <b>CNOOC (0883)- final results</b> Kwang Sung Electric (2310)- final results Panva Gas (8132)- final results Zhejiang Expressway (0576)- final results
	<b>US</b>	: Industrial production- February Berkshire Hathaway- Q4 results
16 <sup>th</sup> March 2004 (Tuesday)	<b>HK</b>	: <b>Huaneng Power (0902)- final results</b> Hutchison Harbour Ring (0715)- final results <b>Wharf (0004)- final results</b>
	<b>US</b>	: Housing starts- February <b>FOMC meeting</b> Lehman Brothers- Q1 results
17 <sup>th</sup> March 2004 (Wednesday)	<b>HK</b>	: Anhui Conch Cement (0914)- final results Beijing Datang (0991)- final results China Telecom (0728)- final results Henderson Investment (0097)- final results <b>Henderson Land (0012)- final results</b> Media Partners International (8072)- final results <b>Sino Land (0083)- interim results</b> Tom Group (8001)- final results TST Properties (0247)- interim results TVB (0511)- final results
	<b>US</b>	: Consumer price index- February Bear Stearns- Q1 results FedEx- Q3 results
18 <sup>th</sup> March 2004 (Thursday)	<b>HK</b>	: Unemployment rate- December-to-February period SMIC (0981)- trading debut Chaoda Modern Agricultural (0682)- interim results <b>Cheung Kong (0001)- final results</b> <b>China Mobile (0941)- final results</b> <b>CITIC International Financial (0183)- final results</b> <b>CITIC Pacific (0267)- final results</b> Giordano (0790)- final results Golden Harvest (1132)- interim results <b>Hutchison Whampoa (0013)- final results</b> Kingboard Chemical (0148)- final results New World China Land (0917)- interim results <b>New World Development (0017)- interim results</b>
	<b>US</b>	: NWS (0659)- interim results Leading indicators- February 3Com Corp- Q3 results Adobe Systems- Q1 results Nike Inc- Q3 results
19 <sup>th</sup> March 2004 (Friday)	<b>HK</b>	: GNP- Q4 China Motor Bus (0026)- final results E2-Capital (0378)- final results First Mobile (8110)- final results International Bank of Asia (0636)- final results OOIL (0316)- final results
	<b>US</b>	: Producer price index- February Vans, Inc- Q3 results