

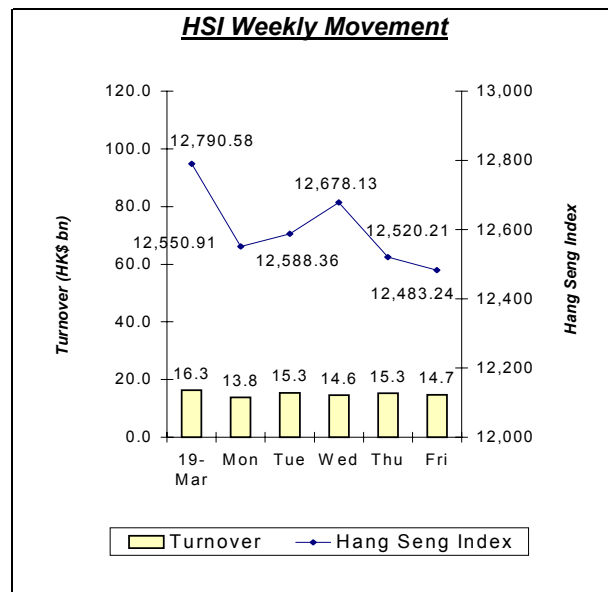
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report27th March, 2004**Another falling week****Weekly Market Statistics**

Week ended	26/03/2004	19/03/2004	Change	%
Hang Seng Index	12,483.24	12,790.58	-307.34	-2.4%
HS Red Chip Index	1,388.39	1,443.68	-55.29	-3.8%
HS China Enterprises Index	4,658.22	4,854.02	-195.80	-4.0%
HS Composite Index	1,625.01	1,665.93	-40.92	-2.5%
HS HK Composite Index	1,707.85	1,742.01	-34.16	-2.0%
HS Mainland Composite Index	1,472.62	1,530.32	-57.70	-3.8%
S&P/HKEx GEM Index	1,241.06	1,259.45	-18.39	-1.5%
Avg Daily Turnover (HK\$ bn)	14.75	16.74	-1.99	-11.9%
Sectoral Indices				
Finance	24,987.38	25,516.37	-528.99	-2.1%
Utilities	28,103.73	27,792.97	+310.76	+1.1%
Properties	15,815.33	16,162.27	-346.94	-2.1%
Comm & Ind	5,258.82	5,444.79	-185.97	-3.4%

Review & Outlook of Market Performance

Hong Kong stocks were softer this week as investors were rattled by mass political protests in Taiwan following the island's knife-edge election last Saturday. Elsewhere, geo-political tensions in the Middle East also clouded the market sentiment after the killing of Hamas founder Sheik Ahmed Yassin by Israeli troops on Monday, which raised fears of further terrorist attacks. The HSI eventually landed at 12,483.24 on Friday, down 307.34 points or 2.4% w-o-w. Average daily turnover further shrank to HK\$14.75 billion this week from HK\$16.74 a week earlier.

Blue-chip banking stocks were mostly down this week on a deteriorating sentiment. On a weekly basis, HSBC (HK\$115.50) and Hang Seng Bank (HK\$97.75) lost 2.5% and 1.5% respectively while Bank of East Asia (HK\$23.05) inched down 0.2%. Nevertheless, BOC Hong Kong (HK\$14.80) managed to buck the trend with a 0.7% w-o-w gain, after the lender posted a better-than-expected net profit of HK\$7.96 billion for 2003 (+17.3%), on reduction in bad-debt charges and a one-off write-off in tax over-provision, despite some uninspiring top-line figures. All in all, the HS Finance Sub-index still lost 2.1% during the week.

Li & Fung (HK\$11.75)'s shares plunged 16.1% this week after the consumer-goods sourcing firm reported a below-expectation net profit of HK\$1.22 billion (+13.2%) for 2003. Investors were concerned that the firm was falling behind its 3-Year Plan, which aimed at doubling Li & Fung's bottom line from 2001's pre-writeoff level of HK\$951 million. Also featuring during the week was PetroChina (HK\$3.85)'s 2003 results. Despite reporting a 48.4% increase in net profit to 69.61 billion yuan for the year, shares of the mainland oil major went down 6.1% w-o-w on a cautious outlook, especially when oil prices are forecast to soften in 2004 and that the company's oil-output growth may slow. Elsewhere, China Unicom (HK\$7.15, -12.3% w-o-w) recorded a disappointing 8.3% decline in net profit to 4.22 billion yuan for 2003 after a 557-million-yuan asset-impairment loss on its paging business and a 663-million-yuan disposal loss for the paging unit.

Looking into next week, investors should focus on the results announcements of a few H shares, such as Chalco (HK\$6.10, -3.2% w-o-w) and Sinopec (HK\$2.80, -8.9% w-o-w) on Monday. The next support level of the HSI should be around 12,000. However, any heated debates on the National People's Congress Standing Committee's interpretations of the Basic Law concerning changes to the electoral methods could further dampen the local market. However, we may also expect some flight-to-quality buying to emerge and support the index, especially if Taiwan's political woes persist and induce further fund flows switching into Hong Kong.

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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 26th March	10,212.97	1,960.02	11,770.65	1,827.11	895.12	665.25	6,132.62
19th March	10,186.60	1,940.47	11,418.51	1,839.12	904.45	681.27	6,815.09
Change	+26.37	+19.55	+352.14	-12.01	-9.33	-16.02	-682.47
%	+0.3%	+1.0%	+3.1%	-0.7%	-1.0%	-2.4%	-10.0%

Index Weighting Changes (Week ended 26th March 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/03/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Yue Yuen Industrial	0551	HK\$20.70	-HK\$1.60	-7.2%	The firm's share price has fallen for 7 out of the last 8 trading days. It closed at HK\$20.70 on Friday, down 10.6% from 17 th March when it announced its Q1 results. Investors were wary that rising petrochemical prices would continue pushing up its raw-material costs.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/03/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Oilfield Services	2883	HK\$2.125	-HK\$0.500	-19.0%	Share price of China Oilfield Services sank 19.0% this week after the Company said it expected slower profit growth in 2004 because its drilling rigs were already busy. For 2003, the firm reported a 32% rise in its bottom line.

Summary of US Economic News

Indicator	Change/Index	Comments
Durable-goods orders - February	+2.5% m-o-m	Orders for durable goods increased 2.5% in February after falling a revised 2.7% in January, as demand for aircraft soared.
New-home sales - February	+5.8% m-o-m	Sales of new homes rose a stronger-than-expected 5.8% to a seasonally-adjusted annual rate of 1.163 million units in February.
GDP (final) - Q4	+4.1% q-o-q	The final estimate of GDP rose at a 4.1% annual rate in the 4 th quarter of 2003, down from an 8.2% annual rate in the 3 rd quarter. The figure was unchanged from the estimate released a month ago.
Existing-home sales - February	+2.0% m-o-m	Sales of existing homes rose 2.0% to a seasonally-adjusted annual rate of 6.12 million units in February from a revised 6.00-million-unit pace in January.
Personal spending - February	+0.2% m-o-m	Personal spending rose 0.2% in February after inching up a revised 0.5% in January while personal income advanced
Personal income - February	+0.4% m-o-m	0.4% in February after increasing a revised 0.3% in January.

**Forthcoming Important Announcements / Events**

29 th March, 2004 (Monday)	HK	: Asia Zirconium (0395) – final results Chalco (2600) – final results Cheuk Nang (0131) – H1 results China Agrotech (1073) – H1 results China Merchants Holdings (Int'l) (0144) – final results China Resources Power (0836) – final results Chinese Estates (0127) – final results Chow Sang Sang (0116) – final results Hainan Meilan Airport (0357) – final results Kowloon Development (0034) – final results Shangri-La Asia (0069) – final results Sinopec (0386) – final results
30 th March, 2004 (Tuesday)	HK US	: Global Bio-Chem Technology (0809) – final results Jingwei Textile Machinery (0350) – final results Midland Realty (1200) – final results Morning Star Resources (0542) – final results Ports Design (0589) – final results SCMP Group (0583) – final results Shanghai Century (0755) – final results Tian An China Investments (0028) – final results Vedan International (2317) – final results Consumer confidence – March
31 st March, 2004 (Wednesday)	HK US	: Beijing Capital International Airport (0694) – final results China Resources Peoples Telephone (0331) – trading debut China Travel Int'l Investment HK (0308) – final results COFCO International (0506) – final results Monetary statistics – February Factory orders – February
1 st April, 2004 (Thursday)	HK US	: Celestial Asia (1049) – final results Jiangsu Expressway (0177) – final results Goldlion (0533) – final results Lianhua Supermarket (0980) – final results Pricerite (0996) – final results Sichuan Expressway (0107) – final results Sunday Communications (0866) – final results Tsingtao Brewery (0168) – final results Auto sales – March Construction spending – February ISM manufacturing index – March
2 nd April, 2004 (Friday)	HK US	: Beijing Yanhua (0325) – final results C.P. Pokphand (0043) – final results Grand Investment International (1160) – trading debut Shun Tak (0242) – final results Unemployment rate – March Goodyear Tyre & Rubber – Q4 results