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EAST ASIA SECURITIES COMPANY LIMITED

8/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 2842 3530 / 2842 3475 Research: 2842 3198 Facsimile: 2845 2937 / 2526 7992

HONG KONG RESEARCH

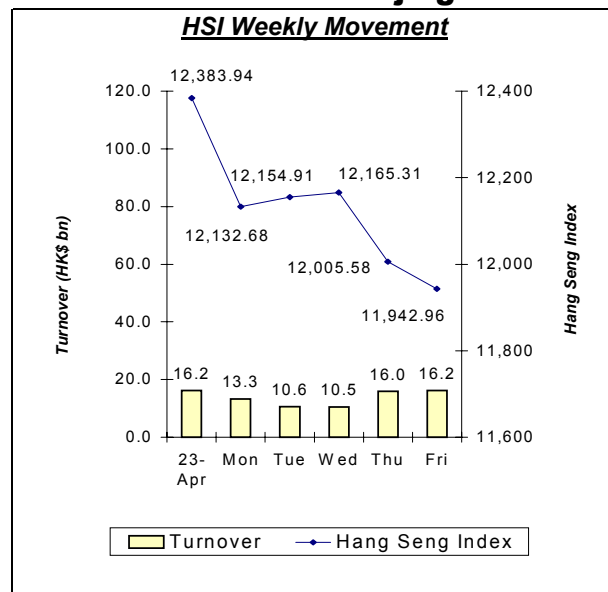
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Analyst: Louis Chan

Weekly Report

30th April 2004

Fears of Beijing's further tightening thump H shares



Weekly Market Statistics

Week ended	30/04/2004	23/04/2004	Change	%
Hang Seng Index	11,942.96	12,383.94	-440.98	-3.6%
HS Red Chip Index	1,239.76	1,336.50	-96.74	-7.2%
HS China Enterprises Index	4,061.18	4,503.94	-442.76	-9.8%
HS Composite Index	1,534.23	1,605.94	-71.71	-4.5%
HS HK Composite Index	1,649.33	1,704.13	-54.80	-3.2%
HS Mainland Composite Index	1,304.33	1,417.28	-112.95	-8.0%
S&P/HKEx GEM Index	1,117.87	1,179.86	-61.99	-5.3%
Avg Daily Turnover (HK\$ bn)	13.33	15.55	-2.22	-14.3%
Sectoral Indices				
Finance	24,527.31	25,043.01	-515.70	-2.1%
Utilities	27,941.44	27,912.88	+28.56	+0.1%
Properties	15,033.95	15,696.48	-662.53	-4.2%
Comm & Ind	4,862.12	5,155.59	-293.47	-5.7%

Review & Outlook of Market Performance

Hong Kong stocks went south for the 3rd consecutive week as the HSI breached the 12,000 level for the 2nd time in more than 5 months, plagued by fears that the latest SARS outbreak in the mainland might be aggravated. Further adding to the woes were worries of interest-rate rises in the US and China whilst H shares were particularly fragile as investors noticed that the mainland might need to take some even-more-forceful actions to cool its red-hot economy down. The HSI eventually landed at 11,942.96, down 440.98 points or 3.6% w-o-w. Average daily turnover shrank to HK\$13.33 billion.

Regarding H shares, investors were unnerved after rumours that China had ordered smaller banks to stop lending for several days before the Golden Week. Despite the PBOC's subsequent denial of such claims, the HSCEI still went down 9.8% w-o-w as the market expected there would be more tightening actions to come around. Top on the selling list were Anhui Conch Cement (HK\$8.30) and Maanshan Iron & Steel (HK\$2.275), which tumbled 24.5% and 22.2% w-o-w respectively. In the meantime, Chalco (HK\$4.575, -16.8% w-o-w), Angang New Steel (HK\$2.975, -16.2% w-o-w) and Jiangsu Expressway (HK\$3.525, -14.0% w-o-w) were all among the top losers in the week.

Meanwhile, leading the blue-chip index down were losses in banking and property stocks amid fears of interest-rate rises. Heavyweight HSBC (HK\$114.00) dipped 1.7% w-o-w while BOC Hong Kong (HK\$13.30) even plummeted 7.0%. Property counters were nowhere better after some brisk internal sales at a Cheung Sha Wan residential project failed to impress the market much. Share prices of prime developers Cheung Kong (HK\$59.75, -4.0% w-o-w), Henderson Land (HK\$35.00, -5.4% w-o-w), SHK Properties (HK\$67.00, -4.6% w-o-w) and Hang Lung Properties (HK\$10.55, -5.0% w-o-w) were therefore all softer. Elsewhere, mainland carrier China Mobile (HK\$20.60) could not avoid the sell-down in China-related shares either, as it lost 4.0% over the week despite holding up reasonably well later in the week after saying it would pay US\$3.65 billion for 10 provincial networks from its parent.

Looking into next week, the market will await directions to be given by the upcoming FOMC meeting next Wednesday. Investors will also focus on a handful of US economic figures to be released tonight and next week. Over the local front, there may well be some bottom-fishing activities going on at current levels but a substantial turnaround in the HSI is not very likely. We hence expect a short-term resistance level at 12,200.

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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 30th April	10,342.60 (29/4)	1,989.54 (29/4)	11,761.79	1,842.03	838.21	648.15	6,117.81
23rd April	10,472.84	2,049.77	12,120.66	1,867.64	875.50	681.88	6,748.10
Change	-130.24	-60.23	-358.87	-25.61	-37.29	-33.73	-630.29
%	-1.2%	-2.9%	-3.0%	-1.4%	-4.3%	-4.9%	-9.3%

Major Changes in Index Constituent Stocks (Week ended 30th April 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @30/04/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Johnson Electric	0179	HK\$6.90	-HK\$1.40	-16.9%	Johnson Electric was the biggest percentage blue-chip loser this week, after it said its net profit would likely fall 20%-25% for FY2004 due to restructuring costs and increased operating expenses.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @30/04/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang New Steel	0347	HK\$2.975	-HK\$0.575	-16.2%	The stocks plummeted as investors were concerned about the possibly-negative effects on the companies brought by Beijing's credit-tightening policy on property and infrastructure sectors.
Maanshan Iron & Steel	0323	HK\$2.275	-HK\$0.650	-22.2%	
Anhui Conch Cement	0914	HK\$8.30	-HK\$2.70	-24.5%	
Chalco	2600	HK\$4.575	-HK\$0.925	-16.8%	

Summary of US Economic News

Indicator	Change/Index	Comments
New-home sales - March	+8.9% m-o-m	Sales of new homes surged 8.9% in March, the largest monthly increase in 9 months, to a record seasonally-adjusted annual rate of 1.228 million units, compared with the 1.128-million-unit annual rate in February.
Existing-home sales - March	+5.7% m-o-m	Existing-home sales increased 5.7% to a seasonally-adjusted annual rate of 6.48 million units in March from an upwardly-revised pace of 6.13 million units in February.
Consumer confidence - April	92.9	Consumer-confidence index rose to 92.9 in April, up from a revised 88.5 in March and was better than the expected reading of 88.5.
GDP (advance) - Q1	+4.2% q-o-q	GDP grew at a weaker-than-expected 4.2% in the 1 st quarter after a 4.1% growth in the 4 th quarter of 2003.

**Forthcoming Important Announcements / Events**

30 th April 2004 (Friday)	US	:	Personal income – March Personal spending – March Cigna – Q1 results
3 rd May 2004 (Monday)	US	:	Auto sales – April ISM manufacturing index – April Construction spending – March Metlife – Q1 results
4 th May 2004 (Tuesday)	HK US	:	Business Operating Index of SMEs – April to June Factory orders – March FOMC meeting AON Corp – Q1 results Qwest Communications International – Q1 results
5 th May 2004 (Wednesday)	HK US	:	Convenience Retail Asia (8052) – Q1 results TOM Group (8001) – Q1 results ISM services index – April
6 th May 2004 (Thursday)	HK Canada	:	CK Life Sciences (8222) – Q1 results Alcan – Q1 results
7 th May 2004 (Friday)	HK US	:	Foreign-currency reserves – April Computech (8081) – Q1 results Stockmartnet (8123) – Q1 results Unemployment rate – April Wholesale inventories – March
8 th May 2004 (Saturday)	HK	:	Shandong Weigao Group Medical Polymer (8199) – Q1 results