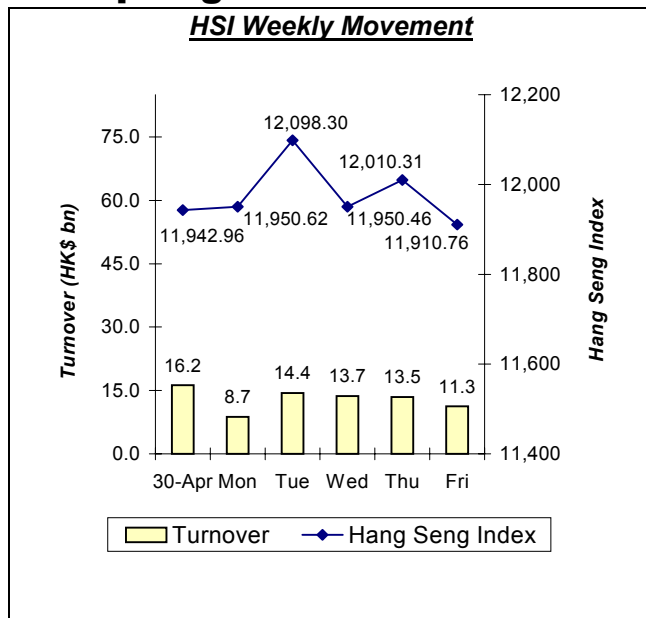


## HSI plunged further on fears of earlier-than-expected rate hikes



<b>Weekly Market Statistics</b>				
Week ended	07/05/2004	30/04/2004	Change	%
Hang Seng Index	11,910.76	11,942.96	-32.20	-0.3%
HS Red Chip Index	1,267.36	1,239.76	+27.60	+2.2%
HS China Enterprises Index	4,222.76	4,061.18	+161.58	+4.0%
HS Composite Index	1,535.59	1,534.23	+1.36	+0.1%
HS HK Composite Index	1,637.33	1,649.33	-12.00	-0.7%
HS Mainland Composite Index	1,336.89	1,304.33	+32.56	+2.5%
S&P/HKEx GEM Index	1,133.43	1,117.87	+15.56	+1.4%
Avg Daily Turnover (HK\$ bn)	12.30	13.33	-1.03	-7.7%
Sectoral Indices				
Finance	24,553.14	24,527.31	+25.83	+0.1%
Utilities	27,217.04	27,941.44	-724.40	-2.6%
Properties	14,500.41	15,033.95	-533.54	-3.5%
Comm & Ind	4,899.76	4,862.12	+37.64	+0.8%

### Review & Outlook of Market Performance

The Hang Seng Index had a zigzag move this week amid continued concerns of an earlier-than expected interest-rate hikes in the US. Although the US Fed left the interest rates unchanged at the FOMC meeting on Tuesday, it signalled it would raise rates gradually. Rate-sensitive property counters were under pressure on slowdown in flat sales in April as investors were wary of the timing of the rate rises, with some expecting an increase as early as in June amid inflationary pressures on rising oil prices. Accordingly, the HS Properties sub-index fell 3.5% w-o-w. In the midst of cautious sentiment, the HSI edged down 32.20 points or 0.3% w-o-w to close the week at a near-6-month low of 11,910.76. Average daily turnover dropped to HK\$12.3 billion.

China-related stocks rebounded this week, with the HSCCI and HSCEI up 2.2% and 4% w-o-w respectively, as investors had factored in the austerity measures by the central government to cool off the overheating economy. Among the gainers, automaker Denway Motors (HK\$4.025, +8.1% w-o-w) and Brilliance China (HK\$3.15, +9.6% w-o-w) pared some of last week's hefty losses after a major brokerage upgraded their ratings. Oil plays were well bid this week as crude-oil prices escalated to 13-year highs amid the escalating violence in the Middle East and fears over the summer gasoline supply shortages in the US. PetroChina (HK\$3.70, +8.8% w-o-w), Sinopec (HK\$2.90, +7.4% w-o-w) and CNOOC (HK\$3.00, +6.2% w-o-w) all ended higher.

Harbin Brewery took the limelight this week. Following the confirmation by the world's largest brewer Anheuser-Busch of purchasing a 29% stake in the mainland brewer, the No. 2 player SABMiller announced a hostile takeover bid for Harbin Brewery, in which it currently holds a 29.4% interest, at HK\$4.30 each. Before trading was suspended on Friday afternoon, the H-share Harbin Brewery ended at HK\$4.525, up 40.3% from last week's close.

Looking forward into next week, trading in the local bourse, especially H shares, would remain volatile while market focus would be on whether the central government would raise interest rates in the mainland after the Golden Week holidays. In a lack of any positive catalyst, the local bourse is expected to track the performance of Wall Street, which finished lower on Friday amid rising possibility of an earlier rate rise in June after some encouraging US employment figures was unveiled. The HSI is likely to hover around 12,000 mark in the near term.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

**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							
7th May	10,117.34	1,917.96	11,438.82	1,843.72	835.37	636.80	6,040.26
30th April	10,225.57	1,920.15	11,761.79	1,842.03	838.21	648.15	6,117.81
Change	-108.23	-2.19	-322.97	+1.69	-2.84	-11.35	-77.55
%	-1.06%	-0.11%	-2.75%	+0.09%	-0.34%	-1.75%	-1.27%

**Major Changes in Index Constituent Stocks (Week ended 7<sup>th</sup> May 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @07/05/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
China Resources Enterprise	0291	HK\$9.70	+HK\$0.65	+7.2%	Investors were attracted by the firm's exposure to the mainland brewery market after SABMiller made a takeover bid for Harbin Brewery.
Henderson Land	0012	HK\$33.00	-HK\$2.00	-5.7%	Property developers were lower on fears that an interest-rate rise in the US would come as early as in June.
Hang Lung Properties	0101	HK\$9.90	-HK\$0.65	-6.2%	

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

Stock	Stock Code	Closing Price @07/05/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Anhui Conch Cement	0914	HK\$9.35	+HK\$1.05	+12.7%	The cement maker shot up on news that it may raise prices in the 2 <sup>nd</sup> quarter due to electricity shortages.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Personal income - March	+0.4% m-o-m	Personal spending increased 0.4% in March, following an upwardly-revised 0.4% rise in February. Personal income also rose 0.4% in March after a revised 0.5% gain in February.
Personal spending - March	+0.4% m-o-m	
ISM manufacturing index - April	62.4	The Institute for Supply Management (ISM) said its index of manufacturing activity was down to 62.4 in April from 62.5 in March.
Construction spending - March	+1.5% m-o-m	Construction spending jumped a higher-than-expected 1.5% to a seasonally-adjusted US\$944.1 billion in March.
Factory orders - March	+4.3% m-o-m	Factory orders rose 4.3% in March, after a revised 1.1% increase in February.
ISM services index - April	68.4	The ISM services index jumped from 65.8 in March to 68.4 in April, the 13 <sup>th</sup> -straight month of expansion in the service sector.
Unemployment rate - April	5.6%	Unemployment rate eased to 5.6% in April from 5.7% in March.
Wholesale inventories - March	+0.6% m-o-m	Inventories at wholesalers grew by 0.6% in March, well below the 2.7% rise in wholesale sales. February inventories were unrevised at a 1.2% gain, while sales were revised upward to a 2.1% increase.
Consumer credit - March	+US\$5.7 billion m-o-m	Consumer credit grew by a smaller-than-expected US\$5.7 billion in March, following a downwardly-revised increase of US\$900 million in February.

**Forthcoming Important Announcements / Events**

10 <sup>th</sup> May, 2004 (Monday)	<b>HK</b>	:	Bee & Bee Natural Life Products (8156) – Q3 results Cardlink Technology (8066) – Q1 results China Fire Safety Technology (8201) – Q1 results Far Eastern Polychem Industries (8012) – interim results <b>Hongkong.com (8006) – Q1 results</b> MediaNation (8160) – Q1 results Proactive Technology (8089) – interim results Zhejiang Yonglong Enterprises (8211) – Q1 results
	<b>US</b>	:	Liberty Media Corp – Q1 results
11 <sup>th</sup> May, 2004 (Tuesday)	<b>HK</b>	:	Changmao Biochemical Engineering (8208) – Q1 results <b>CLP Holdings (0002) – Q1 results</b> Global Digital Creations (8271) – Q1 results Kingdee International (8133) – Q1 results Wumart Stores (8277) – Q1 results Yuxing Infotech (8005) – Q1 result
	<b>US</b>	:	<b>Cisco Systems Inc – Q3 results</b> May Department Stores Co – Q 1 results Mylan Laboratories – Q4 results
12 <sup>th</sup> May, 2004 (Wednesday)	<b>HK</b>	:	HC International (8292) – Q1 results <b>HKEx (0388) – Q1 results</b> Phoenix Satellite Television (8002) – Q1 results Shaanxi Northwest New Technology (8258) – Q1 results
	<b>US</b>	:	Trade balance – March Assurant Inc – Q1 results Berkshire Hathaway – Q1 results El Paso Corp – Q1 results Federated Department Stores – Q1 results <b>Walt Disney Co – Q2 results</b>
13 <sup>th</sup> May, 2004 (Thursday)	<b>HK</b>	:	Beijing Beida Jade Bird (8095) – Q1 results Chinasoft (8216) – Q1 results Greencool Technology (8056) – Q1 results <b>Henderson Cyber (8023) – Q3 results</b> Media Partners International (8072) – Q1 results Nanjing Dahe Outdoor Media (8243) – Q1 results SUNeVision (8008) – Q3 results Vodatel Networks (8033) – Q3 results
	<b>US</b>	:	<b>Retail sales – April</b> <b>Producer price index – April</b> <b>Dell Inc – Q1 results</b> Edison International – Q1 results Kohl's Corp – Q1 results Target Corp – Q1 results Tiffany & Co – Q1 results <b>Wal-Mart Stores Inc – Q1 results</b>
14 <sup>th</sup> May, 2004 (Friday)	<b>HK</b>	:	Aeon Stores (0984) – final results Panva Gas (8132) – Q1 results Recruit (8073) – Q1 results Sing Lee Software (8076) – Q1 results Zhengzhou Gas (8099) – Q1 results
	<b>US</b>	:	<b>Consumer price index – April</b> <b>Business inventories – March</b> <b>Industrial production – April</b>