

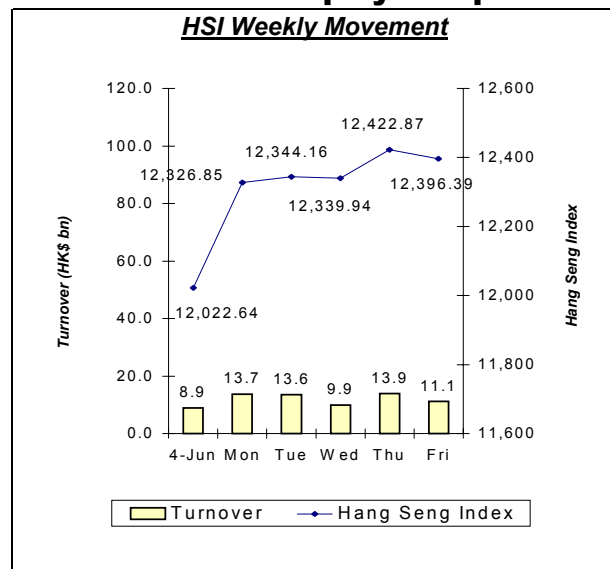
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report12th June 2004**China plays outperform as data eases rates fears**

<u>Weekly Market Statistics</u>				
Week ended	11/06/2004	04/06/2004	Change	%
Hang Seng Index	12,396.39	12,022.64	+373.75	+3.1%
HS Red Chip Index	1,375.66	1,300.46	+75.20	+5.8%
HS China Enterprises Index	4,381.23	4,087.86	+293.37	+7.2%
HS Composite Index	1,587.09	1,537.38	+49.71	+3.2%
HS HK Composite Index	1,673.15	1,635.34	+37.81	+2.3%
HS Mainland Composite Index	1,425.88	1,347.55	+78.33	+5.8%
S&P/HKEx GEM Index	1,125.46	1,112.82	+12.64	+1.1%
Avg Daily Turnover (HK\$ bn)	12.44	11.64	+0.80	+6.9%
Sectoral Indices				
Finance	25,245.41	25,026.46	+218.95	+0.9%
Utilities	27,975.39	27,314.42	+660.97	+2.4%
Properties	14,825.20	14,237.22	+587.98	+4.1%
Comm & Ind	5,211.44	4,935.79	+275.65	+5.6%

Review & Outlook of Market Performance

Hong Kong stocks kicked off this week with some 300-point gain on Monday and managed to stay firm above the 12,300 mark for the rest of the week. A strong US jobs report (adding an exciting 248,000 jobs in May) last Friday plus some better-than-expected local retail sales figures (April: +23.0% y-o-y in value, Vs a forecasted 19.5% gain) this week did give a big helping hand. Besides, sentiment also turned better amid a raft of IPOs in the pipeline and the benchmark HSI eventually reaped in 373.75 points or 3.1% over the week to 12,396.39. Average daily turnover was HK\$12.44 billion, versus HK\$11.64 billion last week.

Laggard buying led telecom counters higher this week. China Mobile (HK\$23.50) and PCCW (HK\$5.65) gained 6.6% and 8.7% while China Unicom (HK\$6.45) and China Telecom (HK\$2.725) even surged 16.2% and 17.2% respectively over the week. Elsewhere, ahead of next week's land auction, local property stocks were on the move as they shrugged off some latest signs of declining new-home sales. Major developers like Cheung Kong (HK\$60.00, +4.8% w-o-w), Henderson Land (HK\$33.20, +4.4% w-o-w) and Hang Lung Properties (HK\$10.50, +6.1% w-o-w) all registered decent gains, helping the HS Properties Sub-index go up 4.1% w-o-w. Meanwhile, Johnson Electric (HK\$7.90) rebounded 9.7% this week, despite announcing a decline in net profit for the year ended 31st March 2004, as it said it expected a double-digit % growth in sales for this financial year.

Performance of H shares was really impressive this week (HSCEI: +7.2% w-o-w) on the back of China's CPI rising 4.4% y-o-y in May, versus the predicted 5.0% and investors were hoping Beijing's latest tightening measures would end up successfully in a soft landing. Over the week, Yanzhou Coal Mining (HK\$8.10, +14.9% w-o-w) was a big winner after the Japanese importers had agreed to a big rise in coal price for the current year, while Huadian Power (HK\$2.625, +14.1% w-o-w) and Zhejiang Expressway (HK\$5.65, +10.8% w-o-w) also came up with double-digit % gains. In the meantime, China Mengniu Dairy made its long-awaited debut on Thursday. The stock closed Friday at HK\$4.675, 19.1% higher than its issue price of HK\$3.925.

Looking into next week, investors will likely focus on a handful of economic data to be released in the US and Hong Kong. The US will announce the retail sales, CPI and leading indicators for May while the HKSAR will release the unemployment figures for March-May. Besides, there will also be a piece of residential land (Sha Po Road, Kowloon City) up for grabs next Tuesday whereas shares of 4 companies will make their trading debut. Without much negative surprises, we see the HSI will range-trade between 12,350 to 12,500, with a good support 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 11th June	10,410.10 (10/6)	1,999.87 (10/6)	11,526.82	1,823.14	824.32	613.13	5,735.07
4th June	10,242.82	1,978.62	11,128.05	1,791.70	802.82	626.47	5,724.89
Change	+167.28	+21.25	+398.77	+31.44	+21.50	-13.34	+10.18
%	+1.6%	+1.1%	+3.6%	+1.8%	+2.7%	-2.1%	+0.2%

* US markets were closed on 11th June for former US President Ronald Reagan's funeral

Major Changes in Index Constituent Stocks (Week ended 11th June 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @11/06/04	W-O-W Change		Remarks / Comments
			Absolute	%	
PCCW	0008	HK\$5.65	+HK\$0.45	+8.7%	Laggard PCCW surged 8.7% this week after a brokerage house upgraded the stock to "buy" from "neutral" on hopes that the fixed-line operator would pay a dividend this year.
Johnson Electric	0179	HK\$7.90	+HK\$0.70	+9.7%	Despite announcing a decline in net profit for the year ended 31 st March 2004, shares of Johnson Electric rose this week as the company said it expected a double-digit percentage growth in sales for this financial year.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @11/06/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Yanzhou Coal Mining	1171	HK\$8.10	+HK\$1.05	+14.9%	Yanzhou Coal Mining said average price of its products exported to Japan had risen by 70.6% on year in the current year, much higher than expected.

Summary of US Economic News

Indicator	Change/Index	Comments
Consumer credit - April	+US\$3.9 billion m-o-m	Consumer credit grew by a seasonally-adjusted US\$3.9 billion in April, after an upwardly-revised US\$9.3-billion jump in March.
Wholesale inventories - April	-0.1% m-o-m	Wholesale inventories slipped 0.1% in April, the 1 st decline since August 2003, after a revised 0.5% gain in March. Sales grew 0.8% in April after March's upwardly-revised 2.9% increase.



Forthcoming Important Announcements / Events

14 th June 2004 (Monday)	HK	:	Exchange Fund balance sheet – May China Medical Science (8120) – Q3 results Melbourne Enterprises (0158) – H1 results Milkyway Image (8130) – final results Rainbow International (8079) – H1 results Wheelock (0020) – final results Yue Yuen Industrial (0551) – H1 results
	US	:	Trade balance – April Retail sales – May
15 th June 2004 (Tuesday)	HK	:	Public land auction – Sha Po Road, Kowloon City Kenfair International (0223) – final results
	US	:	Business inventories – April CPI – May Lehman Brothers – Q2 results Oracle Corp – Q4 results
16 th June 2004 (Wednesday)	HK	:	China Shipping Container Lines (2866) – trading debut Digital China (0861) – final results Tencent (0700) – trading debut
	US	:	Water Oasis (1161) – H1 results Housing starts – May Industrial production – May Bear Sterns – Q2 results
17 th June 2004 (Thursday)	HK	:	Unemployment rate – March to May JCG (0626) – H1 results Le Saunda (0738) – final results Longlife (8037) – trading debut
	US	:	Mirabell International (1179) – final results Index of leading indicators – May Adobe Systems – Q2 results
18 th June 2004 (Friday)	HK	:	Emperor Entertainment (8078) – final results Golden Meditech (8180) – final results Huafeng Textile International (0364) – H1 results iMerchants (8009) – final results Mudan Automobile (8188) – Q1 results Plasmagene Biosciences (8250) – trading debut
	US	:	Timeless Software (8028) – final results Micron Tech – Q3 results