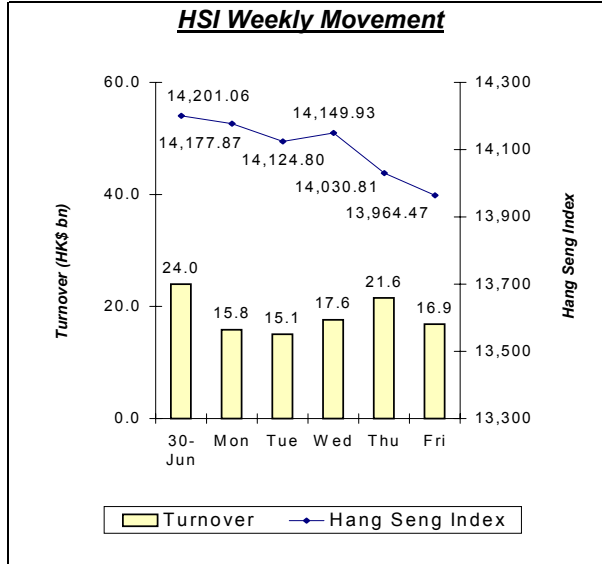




Restricted circulation

Weekly Report
9th July 2005

Record-high oil prices triggered a broad-based sell-off



Weekly Market Statistics

Week ended	08/07/2005	30/06/2005	Change	%
Hang Seng Index	13,964.47	14,201.06	-236.59	-1.7%
HS Red Chip Index	1,604.71	1,648.40	-43.69	-2.7%
HS China Enterprises Index	4,809.99	4,861.87	-51.88	-1.1%
HS Composite Index	1,805.89	1,835.45	-29.56	-1.6%
HS HK Composite Index	1,899.74	1,924.49	-24.75	-1.3%
HS Mainland Composite Index	1,626.65	1,666.43	-39.78	-2.4%
S&P/HKEx GEM Index	863.79	898.58	-34.79	-3.9%
Avg Daily Turnover (HK\$ bn)	17.39	20.08	-2.69	-13.4%
Sectoral Indices				
Finance	26,389.68	26,790.90	-401.22	-1.5%
Utilities	30,441.88	30,589.33	-147.45	-0.5%
Properties	17,133.88	17,572.03	-438.15	-2.5%
Comm & Ind	6,336.93	6,451.44	-114.51	-1.8%

Review & Outlook of Market Performance

Weighed down by consecutive highs of oil prices and a setback of property stocks following a local interest-rate hike and the bomb blasts in London, the HSI dropped through the 14,000 level to close the week at 13,964.47, down 236.59 points, or 1.67% w-o-w. Average daily turnover was HK\$17.39 billion.

Banks in Hong Kong have raised their prime rate by 50bps following the Fed's rate hike of 25 bps. The prime rate of major banks like HSBC, Hang Seng Bank and BOC Hong Kong is currently at 6.25% whilst other banks' prime rate is still 25-bp higher at 6.5%. The aggressive move marked a return to a more normal scenario where Hong Kong rates are in line with US rates. However, increasing concerns over higher borrowing costs dampened investor sentiment, particularly on property counters. The HS Properties sub-index shed 2.49% with highly-g geared New World Development falling 8.38% w-o-w to HK\$8.75.

The latest reports of ISM survey and factory orders showed strong growth in US manufacturing activities. Easing fears over a slowdown in the US domestic consumption gave a positive backdrop to mini-motor exporter Johnson Electric, which surged 3.50% w-o-w to HK\$7.4. Meanwhile, consumer exporter Li & Fung gained 0.93% w-o-w to HK\$16.3 after Citigroup lifted its target price for the counter.

Over to China plays, the H-share index posted less loss than the blue-chip index amid buying interests on oil-related counters. PetroChina kept setting new highs before pulling slightly back on profit taking to finish at HK\$5.95, up 3.48% w-o-w. While higher oil prices are positive to oil plays, airlines suffered on potentially higher fuel costs. China Eastern Airlines dropped 9.49% w-o-w to HK\$1.24, while Air China slid 6.67% w-o-w to HK\$2.45. High jet-fuel costs aside, China Southern Airlines, which tumbled 15.69% w-o-w to HK\$2.15, was further hurt by negative news related to its parent regarding investment losses in the collapse of Hantang Securities.

Lingering concerns over a strengthening US dollar and record levels of oil prices are expected to keep the HSI range-bound next week with key supporting level at 13,800. Investors will closely watch the CPI from the US next Thursday, which will give more hints on further US interest-rate hikes.

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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							
8th July	10,449.14	2,112.88	11,565.99	2,215.99	903.61	643.31	6,201.40
1st July	10,303.44	2,057.37	11,630.13	2,209.95	894.02	675.50	6,272.14
Change	+145.70	+55.51	-64.14	+6.04	+9.59	-32.19	-70.74
%	+1.4%	+2.7%	-0.6%	+0.3%	+1.1%	-4.8%	-1.1%

Major Changes in Index Constituent Stocks (Week ended 8th July 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @08/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$4.8	+HK\$0.15	+3.23%	Short-term worries stemming from the firm's bid for Unocal Corp took a backseat to higher oil prices.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @08/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Southern Airlines	1055	HK\$2.15	-HK\$0.4	-15.69%	The parent of China Southern Airlines has lost 1.1 million yuan in the collapse of Hantang Securities, which held funds on its behalf.
Angang Newsteel	0347	HK\$3.55	-HK\$0.2	-5.33%	Metal stocks were under pressure as a strengthening US dollar dented material prices.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @08/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CITIC Resources Holdings	1205	HK\$0.99	-HK\$0.11	-10.00%	CITIC Resources has terminated talks to buy control of Thai Petrochemical Industry after encountering unspecified difficulties.
China Netcom	0906	HK\$11.4	+HK\$0.1	+0.88%	Spanish Telecom giant Telefonica said it had bought a 2.99% stake in the firm and would boost its stake to 5%.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Factory Orders – May	+2.9% m-o-m	Factory orders surged 2.9% in May, in line with market expectations, on an aircraft-led jump in durable goods.
ISM Non-Manufacturing Index – June	62.2	The index rose to 62.2 in June, well above market forecasts of 58.0 and stronger than the reading of 58.5 posted for May.
Initial Jobless Claims – week ended 2 nd July 2005	319,000	Initial jobless claims added 7,000 last week due to temporary layoffs in the automobile and school sectors.
Nonfarm Payrolls – June	146,000	The addition of 146,000 jobs in June was up from 104,000 in May but short of market forecasts of 195,000.
Unemployment Rate – June	5%	The unemployment rate fell to 5% last month from 5.1% in May, the lowest since September 2001.
Wholesale Inventories – May	+0.1% m-o-m	Wholesale inventories rose a scant 0.1% in May, below market expectations of 0.5%, while sales were unchanged in the month.

Forthcoming Important Announcements / Events

11 th July 2005 (Monday)	HK : US :	Emperor Entertainment Hotel (0296) - Final results Kingmaker Footwear Holdings (1170) – Final results Citigroup Inc – Q2 results International Business Machine – Q2 results
12 th July 2005 (Tuesday)	HK : US :	Cafe de Coral Holdings (0341) – Final results Fairwood Holdings (0052) – Final results PepsiCo Inc – Q2 results
13 th July 2005 (Wednesday)	HK : US :	Chevalier International Holdings (0025) – Final results Chevalier iTech Holdings (0508) – Final results Far East Consortium International (0035) – Final results YGM Trading (0375) – Final results Import and Export Prices – June International Trade – May Advanced Micro Devices Inc – Q2 results Apple Computer Inc – Q3 results Harley-Davidson Inc – Q2 results Yum! Brands Inc – Q2 results
14 th July 2005 (Thursday)	HK : US :	China-HK Photo Products Holdings (1123) – Final results Group Sense (International) (0601) – Final results Winsor Properties Holdings (1036) – Final results Consumer Price Index – June Initial Jobless Claims – week ended 9 th July 2005 Retail Sales – June Merriott International Inc – Q2 results
15 th July 2005 (Friday)	HK : US :	Get Nice Holdings (0064) – Final results JCG Holdings (0626) – Interim results New World CyberBase (0276) – Final results Business Inventories – May NY Empire State Index – July Producer Price Index – June Industrial Production – June Consumer Sentiment (preliminary) – July First Data Corp – Q2 results General Electric Co – Q2 results