

**BEA securities**

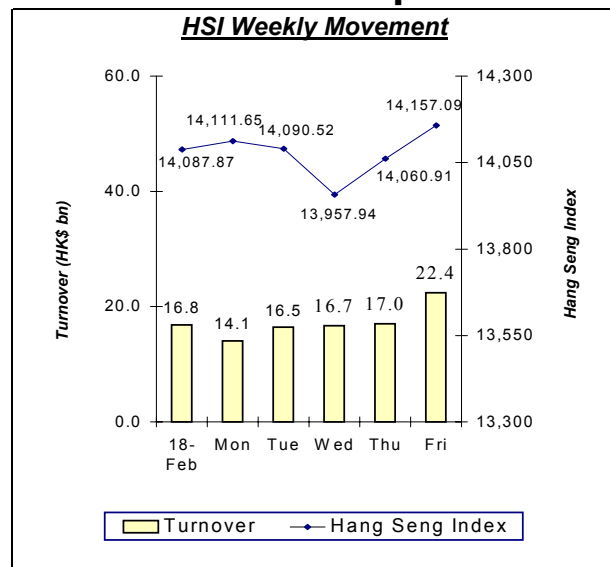
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report26th February 2005**HK Stocks up on Relieved Inflation Anxiety in the US**

Weekly Market Statistics				
Week ended	25/02/2005	18/02/2005	Change	%
Hang Seng Index	14,157.09	14,087.87	+69.22	+0.5%
HS Red Chip Index	1,574.60	1,556.02	+18.58	+1.2%
HS China Enterprises Index	5,024.92	4,923.54	+101.38	+2.1%
HS Composite Index	1,840.56	1,827.49	+13.07	+0.7%
HS HK Composite Index	1,945.28	1,936.26	+9.02	+0.5%
HS Mainland Composite Index	1,638.61	1,616.56	+22.05	+1.4%
S&P/HKEx GEM Index	977.58	1,007.64	-30.06	-3.0%
Avg Daily Turnover (HK\$ bn)	17.35	16.82	+0.53	+3.1%
Sectoral Indices				
Finance	28,191.18	28,252.66	-61.48	-0.2%
Utilities	31,093.31	30,946.18	+147.13	+0.5%
Properties	17,281.46	17,324.73	-43.27	-0.2%
Comm & Ind	6,091.15	6,001.19	+89.96	+1.5%

Review & Outlook of Market Performance

Hong Kong stocks had tracked weakness in overseas market earlier during the week, as investors still concerned about rate hikes in the US would trigger capital outflow from Hong Kong. However, figures on Wednesday showed that US inflation was well contained, soothing worry of more aggressive rate hike, which helped boost the local market to rebound in positive territories. Over the week, HSI rose 0.49% to 14,157.09, reversing a drop of 1.28% during the week, with average daily turnover of HK\$17.35 billion.

Sino Land won in a government land auction of a commercial site in Kowloon Bay last Tuesday. The winning bid of HK\$1.82 billion is more than triple of the initial asking price and much higher than market expectations between HK\$800 million and HK\$1 billion. However, the auction result failed to give property stocks a lift, as investors worried that high land costs would eat into future profit margins. Sino Land, the winning bidder, fell 4.86% w-o-w at HK\$6.85. Cheung Kong (Holdings) dropped 0.67% w-o-w at HK\$74.25 while SHKP slipped 0.68% w-o-w at HK\$72.75.

Meanwhile, fashion retailer Esprit Holdings surged 20.93% w-o-w at HK\$55.75, after reporting a 76.2% y-o-y jump in 1H04/05 net profit to HK\$1.651 billion. The interim results showed that the company kept growing rapidly, which triggered earnings upgrade among market analysts.

Crude oil prices touched US\$52 per barrel during the week, which helped boost share price of oil counters. PetroChina gained 3.78% w-o-w to HK\$4.80 while Sinopec jumped 4.58% to HK\$3.425. CNOOC gained 3.51% at HK\$4.425.

Next week, major blue-chip companies will deliver their earnings results, including HSBC Holdings, Hang Seng Bank, SHK Properties... etc, which would be closely watched by investors. Three HK-listed banks had already announced their results, and all of which were better than consensus forecast. It is expected that HSBC and Hang Seng Bank should also be able to deliver encouraging results, lending support to the stock market. HSI is expected to test the 2004 high near 14,330 set in December.

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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							
25th February	10,841.60	2,065.40	11,658.25	2,135.08	903.51	740.04	6,207.83
18th February	10,785.22	2,058.62	11,660.12	2,168.86	907.75	737.50	6,115.43
Change	+56.38	+6.78	-1.87	-33.78	-4.24	+2.54	+92.40
%	+0.5%	+0.3%	-0.0%	-1.6%	-0.5%	+0.3%	+1.5%

Major Changes in Index Constituent Stocks (Week ended 25th February 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @25/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit Holdings	0330	HK\$55.75	+HK\$9.65	+20.93%	Esprit reported a 76.2% y-o-y jump in net profit in 1H04/05 to HK\$1.65 billion, much higher than consensus forecast of HK\$1.27 billion. After the interim results, market analysts rushed to upgrade their earnings forecasts of the company.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @25/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$4.800	+HK\$0.175	+3.78%	Crude oil future price touched US\$52 per barrel on Thursday, a high not seeing since 1 st November 2004.
Sinopec	0386	HK\$3.425	+HK\$0.150	+4.58%	
Huaneng Power International	0902	HK\$5.95	+HK\$0.25	+4.39%	It was reported that the company's parent, Huaneng Group, would buy an Australian coal-mining firm in order to cope with insufficient domestic coal supplies.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @25/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL International	1070	HK\$1.90	+HK\$0.10	+5.56%	The TV maker, which formed a JV with Thomson, said overseas sales jumped 167% y-o-y to 762,885 units in Jan, while that from China market rose 40% y-o-y to 1.59 million units in Jan.
Kingway Brewery	0124	HK\$2.95	+HK\$0.05	+1.72%	Rumour has it that Heineken may soon raise its stake in the company. Heineken now owns a 21% stake in Kingway.



Summary of US Economic News

Indicator	Change/Index	Comments
Consumer confidence index – February	104	The index fell to 104 in Feb from a revised 105.1 in Jan.
Consumer price index – Jan	+0.1%	It was slightly lower than forecast of 0.2%, showing that inflationary pressure remained contained.
Initial jobless claims – the week ended 5 th February 2005	312,000	The number of new claims was up 9,000 w-o-w, slightly higher than forecast of 308,000.
Durable goods orders – Jan	-0.9%	Weakness in durable goods orders was mainly due to a 5.3% fall in transportation equipment orders.
GDP – Q4 2004	+3.8%	The GDP growth in Q4 2004 was revised up to 3.8% from prior estimate of 3.1%, which was slightly higher than market expectations of 3.7%.

Forthcoming Important Announcements / Events

28 th February 2005 (Monday)	HK	:	CLP Holdings (0002) – final results China Resources Cement (0712) – final results Hang Seng Bank (0011) – final results Hong Kong Exchanges and Clearing – final results HSBC Holdings (0005) – final results Jinhui Holdings (0137) – final results People's Food Holdings (0708) – final results SmarTone Telecommunications (0315) – interim results Weiqiao Textile Co (2698) – final results Winfoong International (0063) – final results External trade figures – January 2005 Personal income and spending – January 2005 New home sales – January 2005
1 st March 2005 (Tuesday)	HK	:	China Shipping Development Co. (1138) – final results Digital China Holdings (0861) – Q3 results Hongkong and Shanghai Hotels (0045) – final results International Bank of Asia (0636) – final results Lifestyle International Holdings (1212) – final results MTR Corporation (0066) – final results Pacific Basin Shipping (2343) – final results Wumart Stores (8277) – final results US : ISM Manufacturing Index – February 2005 Construction spending – January 2005
2 nd March 2005 (Wednesday)	HK	:	Hopewell Holdings (0054) – interim results Hopewell Highway Infrastructure (0737) – interim results
3 rd March 2005 (Thursday)	HK	:	Convenience Retail Asia (8052) – final results COSCO International Holdings (0517) – final results Hang Lung Group (0010) – interim results Hang Lung Properties (0101) – interim results I-Cable Communications (1097) – final results K Wah Construction Materials (0027) – final results K Wah International Holdings (0173) – final results Liu Chong Hing Bank (1111) – final results Liu Chong Hing Investment (0194) – final results Sun Hung Kai Properties (0016) – interim results US : Initial jobless claims – week ended 26 th February 2005 Productivity (revised) – Q4 2004 ISM Non-manufacturing Index – February 2005
4 th March 2005 (Friday)	HK	:	COSCO Pacific (1199) – final results Credit Card DNA Security System (1051) – interim results US : Payrolls report – February 2005 University of Michigan consumer sentiment index – Feb 2005