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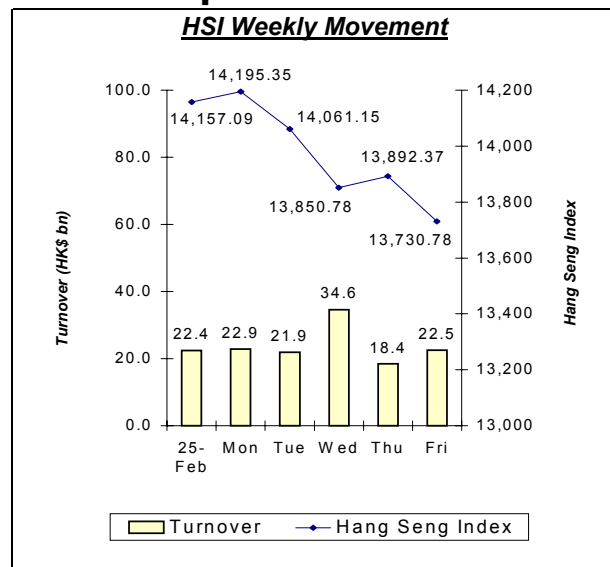
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report5th March 2005**A post-result sell-off of HSBC dragged the market lower**

Weekly Market Statistics				
Week ended	04/03/2005	25/02/2005	Change	%
Hang Seng Index	13,730.78	14,157.09	-426.31	-3.0%
HS Red Chip Index	1,539.19	1,574.60	-35.41	-2.2%
HS China Enterprises Index	4,951.57	5,024.92	-73.35	-1.5%
HS Composite Index	1,792.88	1,840.56	-47.68	-2.6%
HS HK Composite Index	1,891.24	1,945.28	-54.04	-2.8%
HS Mainland Composite Index	1,604.10	1,638.61	-34.51	-2.1%
S&P/HKEx GEM Index	980.49	977.58	+2.91	+0.3%
Avg Daily Turnover (HK\$ bn)	24.06	17.35	+6.71	+38.7%
Sectoral Indices				
Finance	27,261.73	28,191.18	-929.45	-3.3%
Utilities	30,414.11	31,093.31	-679.20	-2.2%
Properties	16,530.89	17,281.46	-750.57	-4.3%
Comm & Ind	5,942.63	6,091.15	-148.52	-2.4%

Review & Outlook of Market Performance

A sharp drop in HSBC's share price following its full-year earnings release on Monday dragged the Hong Kong stock market lower. Reports of robust earnings from other index components such as CLP Holdings and MTR Corp later the week failed to provide support. Further signs of a massive funds outflow from Hong Kong and rumours about Hong Kong Chief Executive Tung Chee-hwa's resignation also contributed to the slump. The HSI fell 426.31 points, or 3.01%, over the week to close at 13,730.78 after touching an intraday low of 13,692.39 on Friday. Average daily turnover reached HK\$24.06 billion.

HSBC reported a 35% increase in 2004 net profit to US\$19.4 billion, near the low end of the market consensus. The results triggered investors to sell off HSBC shares on worries that slowing revenue growth in the 2nd half of 2004 and weaker than expected margins in the US would hinder earnings growth this year. HSBC finished the week down 3.76% at HK\$128. Hang Seng Bank, which reported an in-line net profit growth of 20%, dropped 1.40% w-o-w to HK\$105.5.

Property stocks ran out of steam after last week's land auction and failed to get a lift on Friday following strong interim results from Sun Hung Kai Properties and Hang Lung Properties. Concerns over increasing likelihood of some drastic local interest-rate rises this year undermined most property shares, pushing the HS Properties sub-index down 4.34% over the week.

News of Exxon Mobil's sale of its entire stake in Sinopec, after similar actions by other foreign strategic investors, dampened market sentiment in China-related shares. The HSCEI and HSCCI lost 1.46% w-o-w and 2.25% w-o-w respectively. While Sinopec was the most hard hit, having dropped 1.46% w-o-w to HK\$3.375, other energy stocks also suffered despite a surge in global oil prices, with PetroChina losing 1.56% w-o-w to HK\$4.7 and CNOOC falling 1.13% w-o-w to HK\$4.375.

Looking into next week, the market is likely to be volatile as fears over liquidity outflow remain linger on. Investors will keep an eye on earnings reports from index components like China Mobile and Swire Pacific. Any positive surprises would provide support to the market. Following Wall Street's gains on Friday, the HSI might see a mild rebound and trade between 13,700 and 13,900 over next week.

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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 4th March	10,940.55	2,070.61	11,873.05	2,154.55	885.33	728.42	6,193.62
25th February	10,841.60	2,065.40	11,658.25	2,135.08	903.51	740.04	6,207.83
Change	+98.95	+5.21	+214.80	+19.47	-18.18	-11.62	-14.21
%	+0.9%	+0.3%	+1.8%	+0.9%	-2.0%	-1.6%	-0.2%

Major Changes in Index Constituent Stocks (Week ended 4th March 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @04/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC Holdings	0005	HK\$128	-HK\$5	-3.76%	HSBC reported a 35% increase in 2004 net profit to US\$19.4 billion, near the low end of the market consensus. Renewed concerns over rising interest rate undermined most property stocks despite strong interim results from Sun Hung Kai Properties, which posted a 95% net profit growth to HK\$5.54 billion for the 6 months to December.
Wheelock & Co	0020	HK\$11.6	-HK\$0.75	-6.07%	
Cheung Kong (Holdings)	0001	HK\$70.5	-HK\$3.75	-5.05%	
Sun Hung Kai Properties	0016	HK\$70.75	-HK\$2	-2.75%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @04/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Jiangxi Copper	0358	HK\$4.35	-HK\$0.35	-7.45%	Metal stocks were under pressure as investors tried to digest the impact of the some 70% surge in raw material prices on China's steel sector.
Chalco	2600	HK\$4.725	-HK\$0.275	-5.50%	

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @04/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.825	-HK\$0.25	-8.13%	Denway's 50%-held Guangzhou Honda cut prices of its Accord models by 6.5% to 8.7% and its Odyssey models by 11% to ward off competition from rivals. Digital China posted a net profit of HK\$169.5 million for the 9 months to December, versus a net loss of HK\$24.9 million a year earlier.
Digital China	0861	HK\$2.25	+HK\$0.1	+4.65%	



Summary of US Economic News

Indicator	Change/Index	Comments
Personal Income – January	2.3% m-o-m	Personal income fell 2.3% after hitting a record in December, but above forecasts of a 2.6% fall.
ISM Manufacturing Index – February	55.3	The index fell to 55.3 from 56.4 in January, indicating that the pace of growth was slowing.
Nonfarm Productivity – Q4 Revised	2.1% q-o-q	Business productivity rose more quickly in Q4 than previously thought, notching an unexpectedly brisk 2.1% annual rate.
ISM Non-Manufacturing Index – February	59.8	The index edged up to 59.8 from 59.2 in January, boosted by improving job situation in the sector.
Nonfarm Payrolls – February	262,000	The economy created 262,000 jobs in February, almost twice the January gain.

Forthcoming Important Announcements / Events

7 th March 2005 (Monday)	HK	:	Foreign Currency Reserves – February Dawnrays Pharmaceutical (Holdings) (2348) – Final results Hutchison Global Communications Holdings (0757) – Final results Hutchison Telecommunications International (2332) – Final results ICBC (Asia) (0349) – Final results
	US	:	Consumer Credit – January
8 th March 2005 (Tuesday)	HK	:	Retail Sales – January China Shipping Container Lines (2866) – Final results Great Eagle Holdings (0041) – Final results Harbour Centre Development (0051) – Final results Hysan Development Co (0014) – Final results Kerry Properties (0683) – Final results
	US	:	Las Vegas Sands Corp – Q4 results
9 th March 2005 (Wednesday)	HK	:	Cathay Pacific Airways (0293) – Final results Solomon Systech (International) (2878) – Final results Tong Ren Tang Technologies (8069) – Final results
	US	:	Beige Book – February
10 th March 2005 (Thursday)	HK	:	Arnold Holdings (0102) – Final results Chongqing Iron & Steel Co (1053) – Final results CITIC International Financial Holdings (0183) – Final results Clear Media (0100) – Final results Hongkong Electric Holdings (0006) – Final results Jiangxi Copper Co (0358) – Final results Midland Realty (Holdings) (1200) – Final results Orient Overseas (International) (0316) – Final results Phoenix Satellite Television Holdings (8002) – Final results South China Brokerage (0619) – Final results Swire Pacific (0019) – Final results Wing Hang Bank (0302) – Final results
	US	:	Wonderful World Holdings (0109) – Interim results Initial Jobless Claims – 5 th March Wholesales Trade – January National Semiconductor Corp – Q3 results
11 th March 2005 (Friday)	HK	:	China Mobile (0941) – Final results CK Life Science International (Holdings) (8222) – Final results Cross Harbour (Holdings) (0032) – Final results Hong Kong and China Gas (0003) – Final results Hong Kong Ferry (Holdings) (0050) – Final results Y. T. Realty Group (0075) – Final results Yugang International (0613) – Final results
	US	:	International trade – January