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HONG KONG RESEARCH

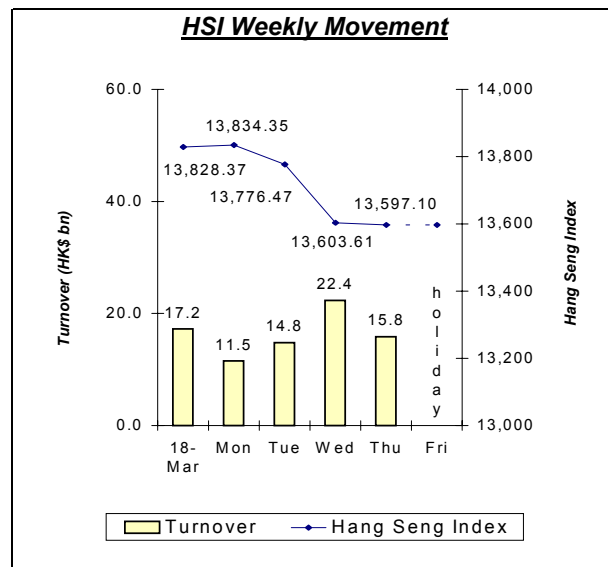
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Weekly Report

24th March 2005

Another US interest-rate hike weighed on the market



Weekly Market Statistics				
Week ended	24/03/2005	18/03/2005	Change	%
Hang Seng Index	13,597.10	13,828.37	-231.27	-1.7%
HS Red Chip Index	1,550.16	1,584.89	-34.73	-2.2%
HS China Enterprises Index	4,800.40	4,957.59	-157.19	-3.2%
HS Composite Index	1,769.47	1,803.37	-33.90	-1.9%
HS HK Composite Index	1,860.61	1,891.53	-30.92	-1.6%
HS Mainland Composite Index	1,595.49	1,635.81	-40.32	-2.5%
S&P/HKEx GEM Index	950.30	982.79	-32.49	-3.3%
Avg Daily Turnover (HK\$ bn)	16.12	17.43	-1.31	-7.5%
Sectoral Indices				
Finance	26,520.20	26,888.42	-368.22	-1.4%
Utilities	30,247.71	30,385.94	-138.23	-0.5%
Properties	16,465.10	16,826.86	-361.76	-2.1%
Comm & Ind	5,982.28	6,106.61	-124.33	-2.0%

Review & Outlook of Market Performance

Concerns over more aggressive US interest-rate policy after the FOMC meeting on Tuesday prompted a broad-based sell-off of Hong Kong blue-chip shares. The HSI fell 231.27 points, or 1.67%, over the week to close at 13,597.10. Average daily turnover dropped to HK\$16.12 billion.

The US Federal Reserve raised the fed funds rate by another 25 bps to 2.75% and retained its pledge to raise rates at a measured pace. Major local banks, which had raised 25 bps in their prime lending rates earlier on Monday, said they would not lift rates again immediately. However, investors worried that the upward pressure on local rates would trigger the next move very soon. Interest-rate sensitive property stocks were hit hardest, with the HS properties sub-index falling 2.15% w-o-w.

Bucking the downtrend were Lenovo Group and Li & Fung, rising 3.03% w-o-w and 2.92% w-o-w respectively. Lenovo was believed to be in advance talks with several private equity firms to invest in the company, while Li & Fung received earnings upgrades from several investment banks on the back of its solid 2004 results and sound new 3-year plan.

Rumours about an interest-rate rise in the Mainland undermined China-related shares. The HSCEI and HSCCI lost 3.17% w-o-w and 2.19% w-o-w respectively. A recent rebound in the US dollars, which led to a fall in commodity prices, further sparked selling of commodity stocks. Chalco was among the top losers, shedding 6.74% w-o-w to HK\$4.5. Profit-taking was also seen on oil-related counters following earlier weeks' gains on persistent high oil prices. PetroChina was down 5.00% w-o-w to HK\$4.75, after touching its record high of HK\$5.15 on Monday. Sinopec slid 6.62% w-o-w to HK\$3.175, while China Oilfield Services dropped 6.96% w-o-w to HK\$2.675.

After a week of consolidation, the market seems to have partly digested the interest rate factor. Market attention should now shift back to corporate results, with Cheung Kong and Hutchison Whampoa due to release their respective results on next Thursday. In the lack of a clear direction for upcoming week, the HSI is expected to move sideways at between 13,450 and 13,750.

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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							
24th March	10,456.02	1,990.22	11,745.97	2,151.45	882.39	685.06	6,001.00
18th March	10,629.67	2,007.79	11,879.81	2,174.49	894.00	711.40	6,043.95
Change	-173.65	-17.57	-133.84	-23.04	-11.61	-26.34	-42.95
%	-1.6%	-0.9%	-1.1%	-1.1%	-1.3%	-3.7%	-0.7%

* Index closing date: 23rd March

Major Changes in Index Constituent Stocks (Week ended 24th March 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @24/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit Holdings	0330	HK\$53.0	-HK\$3.0	-5.36%	Esprit chairman Michael Ying offered to sell 80 million shares at a 3% to 4.7% discount after the market closed on Tuesday.
Li & Fung	0494	HK\$14.1	+HK\$0.4	+2.92%	Li & Fung reported a 25% increase in 2004 net profit to HK\$1.53 billion, near the high end of the market consensus, and announced a 3-year plan target of reaching US\$10 billion in turnover by 2007.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @24/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Chalco	2600	HK\$4.50	-HK\$0.325	-6.74%	A recent rebound in the US dollars, which led to a fall in commodity prices, sparked selling of commodity stocks.
Zijin Mining	2899	HK\$3.175	-HK\$0.25	-7.30%	
Shenzhen Expressway	0548	HK\$2.95	+HK\$0.15	+5.36%	The company announced to buy a 55% stake in Wuhan-Huangshi expressway, reflecting efforts to boost assets.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @24/03/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China Automotive	1114	HK\$1.32	-HK\$0.12	-8.33%	Brilliance China warned that its full-year results would be adversely affected by losses in its Zhonghua model.
China Insurance International Holdings	0966	HK\$3.025	-HK\$0.40	-11.68%	China Insurance reported an unexpected net loss of HK\$22.9 million for 2004, due to a change in insurance reserve.



Summary of US Economic News

Indicator	Change/Index	Comments
Producer Price Index – February	+0.4% m-o-m	The PPI climbed 0.4%, due to higher energy prices. Excluding volatile food and energy prices, the core PPI rose 0.1%, in line with market expectations.
FOMC Announcement	+25 bps	The Federal Reserve raised the fed funds rate by 25 bps to 2.75% and retained its pledge to raise rates at a measured pace.
Consumer Price Index – February	+0.4% m-o-m	Boosted by soaring oil prices, CPI rose 0.4% in February, the biggest increase since October, raising inflation worries. The core CPI rose 0.3%.
Existing Home Sales – February	6.79 million	Existing home sales fell 0.4% in February, while home prices jumped 11%.

Forthcoming Important Announcements / Events

28 th March 2005 (Monday)	HK	:	Easter Holiday Aluminum Corp of China (Chalco) (2600) – Final results Datang Int'l Power Generation Co (0991) – Final results Semiconductor Manufacturing Int'l Corp (0981) – Final results
29 th March 2005 (Tuesday)	HK	:	External Trade – February Asia Aluminum Holdings (0930) – Final results Chinese Estate Holdings (0127) – Final results CNOOC (0883) – Final results Li Ning Co (2331) – Final results Sinopec Yizheng Chemical Fibre Co (1033) – Final results Zhejiang Expressway Co (0576) – Final results
	US	:	Consumer Confidence – March
30 th March 2005 (Wednesday)	HK	:	China Everbright (0165) – Final results China Oilfield Services (2883) – Final results Kingboard Chemical Holdings (0148) – Final results Kowloon Development Co (0034) – Final results PCCW (0008) – Final results Sunday Communications (0866) – Final results Tian An China Investments Co (0028) – Final results TPV Technology (0903) – Final results
	US	:	GDP – Q4f
31 st March 2005 (Thursday)	HK	:	Balance of Payment – 4Q Money Supply – February China Telecom Corp (0728) – Final results Cheung Kong (Holdings) (0001) – Final results COFCO International (0506) – Final results Hutchison Whampoa (0013) – Final results Shangri-La Asia (0069) – Final results Sinolink Worldwide Holdings (1168) – Final results Skyworth Digital Holdings (0751) – Interim results Texhong Textile Group (2678) – Final results
	US	:	Initial Jobless Claim – 26 th March 2005 Personal Income & Outlays – February Chicago PMI – March Factory Orders – February
1 st April 2005 (Friday)	HK	:	SCMP Group (0583) – Final results Road King Infrastructure (1098) – Final results
	US	:	Nonfarm Payroll – March Unemployment Rate – March Consumer Sentiment – March Construction Spending – February ISM Manufacturing Index – March