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HONG KONG RESEARCH

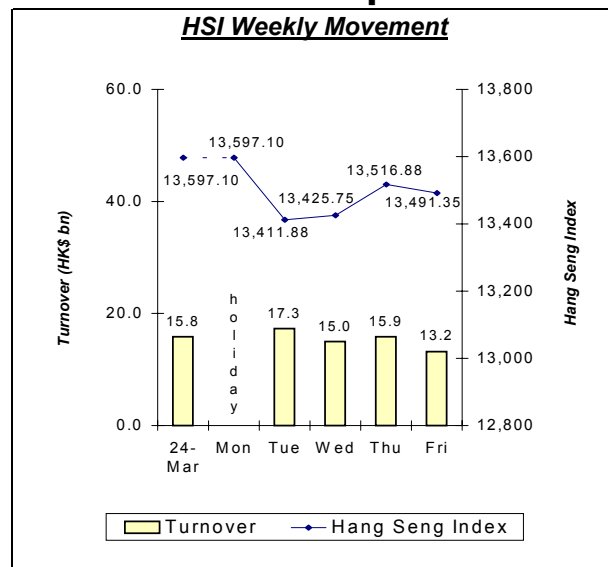
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Weekly Report

2nd April 2005

Solid corporate results failed to inspire investors



Weekly Market Statistics				
Week ended	01/04/2005	24/03/2005	Change	%
Hang Seng Index	13,491.35	13,597.10	-105.75	-0.8%
HS Red Chip Index	1,523.27	1,550.16	-26.89	-1.7%
HS China Enterprises Index	4,866.57	4,800.40	+66.17	+1.4%
HS Composite Index	1,759.62	1,769.47	-9.85	-0.6%
HS HK Composite Index	1,851.94	1,860.61	-8.67	-0.5%
HS Mainland Composite Index	1,583.13	1,595.49	-12.36	-0.8%
S&P/HKEx GEM Index	943.80	950.30	-6.50	-0.7%
Avg Daily Turnover (HK\$ bn)	15.33	15.98	-0.65	-4.1%
Sectoral Indices				
Finance	26,406.40	26,520.20	-113.80	-0.4%
Utilities	30,073.56	30,247.71	-174.15	-0.6%
Properties	16,337.85	16,465.10	-127.25	-0.8%
Comm & Ind	5,912.12	5,982.28	-70.16	-1.2%

Review & Outlook of Market Performance

Despite the fact that companies like Cheung Kong (0001), Hutchison Whampoa (0013) and PCCW (0008) etc. announced better than expected FY2004 results during the week, they failed to inspire investors as rising oil prices, fear of capital outflow and the likelihood of higher interest rates continued weighing on market sentiment. Hong Kong market fell 105.75 points, or 0.8% w-o-w, to close at 13,491.35. Average daily turnover dropped to HK\$15.33 billion from HK\$15.98 billion a week earlier.

On Thursday 31st March 2005, Hutchison reported a 38% y-o-y rise in FY2004 net profit to HK\$16.13 billion, mainly attributed to good performance of its port business, retail and manufacturing operations while its Parent, Cheung Kong, announced a 42% y-o-y growth in bottom-line for FY2004. However, worries on Hutchison's 3G losses still lingered on despite Chairman of the Group, Dr. Li Ka-shing reassured that the worst was over. Hutchison closed the week unchanged at HK\$66.75 while Cheung Kong gained 0.36% w-o-w to close at HK\$69.50.

PCCW (0008) shined after it announced a FY2004 net profit of HK\$1.64 billion, a sharp reversal from a HK\$6.1 billion loss of FY2003. The encouraging results were mostly attributed to the absence of any significant write-offs, higher than expected profits on its Bel-Air residential project and substantial growth in its Unihub business. The counter surged 5.8% w-o-w to close at HK\$4.525.

On the H-shares front, HSCEI outperformed other major indices as it trailed the Shanghai and Shenzhen stock exchanges that rebounded sharply from their new lows in the previous week. HSCEI rose 66.17 points, or 1.4% to 4,866.57. HSCCI shed 1.7% w-o-w to close at 1,523.27 as investors chose to stay on sidelines before major red-chips like China Resources (0291) announce their results next week.

Looking ahead, we see Hong Kong stocks to test near term lows of 13,250 level amid the recent strengthening of the U.S dollar and the possibility of steeper rate hikes by local banks in the near term. The fall of the U.S. markets in reaction to the economic figures released last night should also bring pressure to Hong Kong market 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							
1st April	10,404.30	1,984.81	11,723.63	2,143.75	875.92	693.76	6,028.75
24th March	10,442.87	1,991.06	11,745.97	2,151.45	882.39	685.06	6,001.00
Change	-38.57	-6.25	-22.34	-7.70	-6.47	+8.70	+27.75
%	-0.4%	-0.3%	-0.2%	-0.4%	-0.7%	+1.3%	+0.5%

Major Changes in Index Constituent Stocks (Week ended 1st April 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @01/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
PCCW	0008	HK\$4.525	+HK\$0.25	+5.8%	The Group reported a net profit of HK\$1.64 billion in FY2004, compared with a year earlier loss of HK\$5.4 billion due to the absence of any significant write-offs and higher than expected profits on its Bel-Air residential project.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @01/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Oilfield	2883	HK\$2.775	+HK\$0.1	+3.7%	The counter announced earnings growth of 79% in 2H of FY2004 to RMB 248.6 million that was widely above consensus forecasts
Yizheng Chemical	1033	HK\$1.46	-HK\$0.07	-4.6%	The counter reported a 7.2% y-o-y fall in its FY2004 net profit that missed market forecast.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @01/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Insurance	0966	HK\$2.875	-HK\$0.15	-5.0%	The Company unexpectedly announced a net loss of HK\$22.9 million in FY2004 due to a charge in insurance reserves.
COFCO	506	HK\$3.35	-HK\$0.175	-5.0%	There was heavy selling before its FY2004 earnings announcement next Wednesday.



Summary of US Economic News

Indicator	Change/Index	Comments
4Q Final Gross Domestic Product	+3.8%	The increase was less than consensus forecast (+4.0). It was mainly due to the acceleration in imports of goods and deceleration in personal consumption in durable goods.
March Non-farm Payrolls	+110k	The increase was below consensus forecast (+225k) and was the weakest performance since June 2004.
March Unemployment Rate	5.2%	The number was lower than market expected (5.3%) and fell 0.2 percentage points from February.
ISM Manufacturing Index	55.2	The number was higher than consensus estimate (55.0). However, the prices-paid index, a closely watched inflation data point, rose to 73 from 65.5, the 37 th month in a row it has gone up.

Forthcoming Important Announcements / Events

4 th April 2005 (Monday)	HK	:	AviChina Industry & Technology (2357) – Final results
	US	:	No Important Announcements / Events
5 th April 2005 (Tuesday)	HK	:	Public Holiday - Ching Ming Festival
	US	:	March ISM Non-manufacturing Business Index
6 th April 2005 (Wednesday)	HK	:	COFCO (0506) – Final results China Netcom (0906) – Final results China Mengniu Dairy Company Limited (2319) – Final results
	US	:	Alcoa Inc (AA) – Q1 results
7 th April 2005 (Thursday)	HK	:	Techtronic Industries Co. Ltd. (0669) – Final results China Resources Land Limited (1109) – Final results Integrated Distribution Services Group (2387) – Final results Zijin Mining Group Co. Ltd. (2899) – Final results
	US	:	Initial Jobless Claims – For week ended 2 nd April February Wholesale Inventories February Consumer Credit
8 th April 2005 (Friday)	HK	:	February retail sales China Resources (0291) – Final results Sinopec Zhenhai Refining & Chemical (1128) – Final results Chitaly Holdings Limited (1198) – Final results
	US	:	No Important Announcements / Events