



BEA securities

EAST ASIA SECURITIES COMPANY LIMITED

8/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 2842 3475 Research: 2842 3198 Facsimile: 2845 1606

HONG KONG RESEARCH

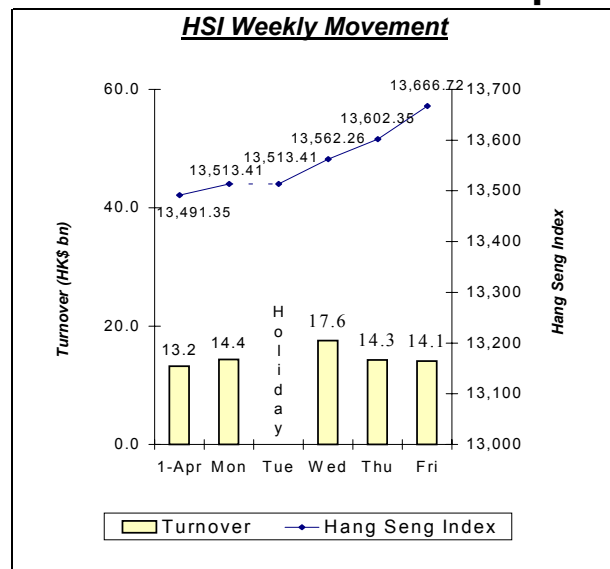
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Analyst: Kelvin Li

Weekly Report

9th April 2005

HSI up on thin volume



Weekly Market Statistics				
Week ended	08/04/2005	01/04/2005	Change	%
Hang Seng Index	13,666.72	13,491.35	+175.37	+1.3%
HS Red Chip Index	1,566.65	1,523.27	+43.38	+2.8%
HS China Enterprises Index	4,891.78	4,866.57	+25.21	+0.5%
HS Composite Index	1,782.31	1,759.62	+22.69	+1.3%
HS HK Composite Index	1,869.90	1,851.94	+17.96	+1.0%
HS Mainland Composite Index	1,615.76	1,583.13	+32.63	+2.1%
S&P/HKEx GEM Index	955.41	943.80	+11.61	+1.2%
Avg Daily Turnover (HK\$ bn)	15.09	15.33	-0.24	-1.6%
Sectoral Indices				
Finance	26,406.40	26,406.40	+0.00	+0.0%
Utilities	30,073.56	30,073.56	+0.00	+0.0%
Properties	16,337.85	16,337.85	+0.00	+0.0%
Comm & Ind	5,912.12	5,912.12	+0.00	+0.0%

Review & Outlook of Market Performance

Hang Seng Index gained 175.37 points or 1.3% over the week to 13,666.72, mainly tracking a rebound in overseas markets. The stock market was filled with conservatism, as average daily turnover slipped to HK\$15.09 billion from HK\$15.33 billion in the previous week. In fact, three out of four trading sessions over the week reported a turnover of below HK\$15 billion, with the exception of the Wednesday session when the market reopened after the Ching Ming Festival holiday.

Indeed, investors stayed on the sideline to see whether the stock market would react negatively to rising rates in Hong Kong. Responding to soaring HIBOR and rates hikes in the US, the Bank of East Asia, Standard Chartered Bank and other mid-tier banks raised their Hong Kong prime rates by 25 bps effective 6th April 2005, whilst major banks like HSBC, Hang Seng Bank, BOC Hong Kong did not follow suit.

Carmakers were among the big winners over the week on the back of sharp recovery in car sales in the Mainland in March. Denway Motors jumped 6.48% at HK\$2.875 and Brilliance China rallied 9.63% to HK1.48, atop all gainers in HSI and HSCCI, respectively. Mainland telecom counters also performed well during the week, amid renewed rumours of industry reform in China. China Unicom jumped 4.17% w-o-w to HK\$6.25 while China Mobile reaped 3.35% to HK\$26.20, followed by a 2.99% surge in China Netcom to HK\$3.45 and a 0.91% rise in China Telecom to HK\$2.775. Meanwhile, crude oil prices retreated sharply after touching an all-time high on Monday. However, Sinopec, with its refining margins depressed by high oil prices in 2004, ended in the negative territory, as oil prices still stayed at high levels – over US\$50 per barrel. Sinopec ended the week at HK\$3.175, down 0.78% w-o-w.

Technically, the short-term outlook of HSI has improved, as it settled above its 14-day moving average on Friday, for the first time since 1st March 2005. Nevertheless, the market currently seems lacking catalysts for a meaningful rally on concern of faster interest rate hikes and we expect the Hang Seng Index to range trade between 13,500 to 13,700 in the near term.

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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 April	10,461.34	1,999.35	11,874.75	2,181.94	864.02	683.76	6,024.07
1st April	10,404.30	1,984.81	11,723.63	2,143.75	875.92	693.76	6,028.75
Change	+57.04	+14.54	+151.12	+38.19	-11.90	-10.00	-4.68
%	+0.5%	+0.7%	+1.3%	+1.8%	-1.4%	-1.4%	-0.1%

Major Changes in Index Constituent Stocks (Week ended 8th April 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @08/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$6.25	+HK\$0.25	+4.17%	The counter rallied amid renewed talks of industry reform to ease competitions and pave way for 3G mobile services.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @08/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Weiqiao Textile	2698	HK\$10.75	-HK\$0.20	-1.83%	The US garment industry demanded the Bush government to curb 14 categories of textile imports from China. The action was followed by European Union's adoption of "alert levels" over the growth rates in mainland textile imports, which will trigger investigations and informal consultations with China.
China Shipping Development	1138	HK\$7.55	+HK\$0.60	+8.63%	The oil and coal carrier said it expects its 1Q05 net profit would double y-o-y, on increased shipping capacity and rising freight rates.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @08/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.875	+HK\$0.175	+6.48%	According to China Association of Automobile, Guangzhou Honda, a JV between Denway and Japan's Honda, sold 45,000 cars in Q1, up 58% y-o-y. 22,000 of which were sold in March, thanks to the introduction of the new Odyssey model.



Summary of US Economic News

Indicator	Change/Index	Comments
Initial jobless claims – the week ended 2 nd April 2005	334,000	Initial jobless claims fell 9,000 over the week, against market expectation of a drop to 330,000.
Consumer credit – February	+US\$5.6 billion	Figures from the Federal Reserve showed that US consumer credit rose US\$5.6 billion to US\$2,123 billion in Feb, less than an expected rise of US\$8 billion.
Wholesale inventory – February	+0.6%	Inventory at US wholesaler rose 0.6% in Feb, in line with consensus forecast, while wholesale sales fell 0.4% in Feb. As a result, the stock-to-sale ratio inched up to 1.18 in Feb from 1.17 in Jan.

Forthcoming Important Announcements / Events

11 th April 2005 (Monday)	HK	:	APT Satellite Holdings (1045) – final results Century City International (0355) – final results China Pharmaceutical (1093) – final results China Travel (0308) – final results Chinese Estates Holdings (0127) – final results Oriental Metals (Holdings) (1208) – final results Paliburg Holdings (0617) – final results Regal Hotels International Holdings (0078) – final results Tsingtao Brewery Co (0168) – final results US : IBM – Q1 results
12 th April 2005 (Tuesday)	HK	:	Air China (0753) – final results Beijing Development (0154) – final results Beijing Enterprises Holdings (0392) – final results CATIC International Holdings (0232) – final results China Eastern Airlines (0670) – final results China Wireless Technologies (2369) – final results Global Bio-Chem Technology (0809) – final results Mainland Headwear Holdings (1100) – final results Sun Hung Kai & Co (0086) – final results Tai Fook Securities Group (0665) – final results US : FOMC minutes International trade – February 2005
13 th April 2005 (Wednesday)	HK	:	Chinney Alliance Group (0385) – final results
	US	:	Retail sales – March 2005
14 th April 2005 (Thursday)	HK	:	China Everbright International (0257) – final results Denway Motors (0203) – final results Ocean Grand (1220) – final results Tianjin Capital (1065) – final results
	US	:	Initial jobless claims – week ended 9 th April 2005
15 th April 2005 (Friday)	HK	:	Guangdong Investments (0270) – final results Guangnan (Holdings) (1203) – final results Kingway Brewery (0124) – final results Lai Sun Development (0488) – interim results Pricerite (0996) – final results PICC P&C (2328) – final results Silver Grant (0171) – final results
	US	:	Industry production – March 2005 Consumer sentiment (preliminary) – April 2005