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**HONG KONG RESEARCH**

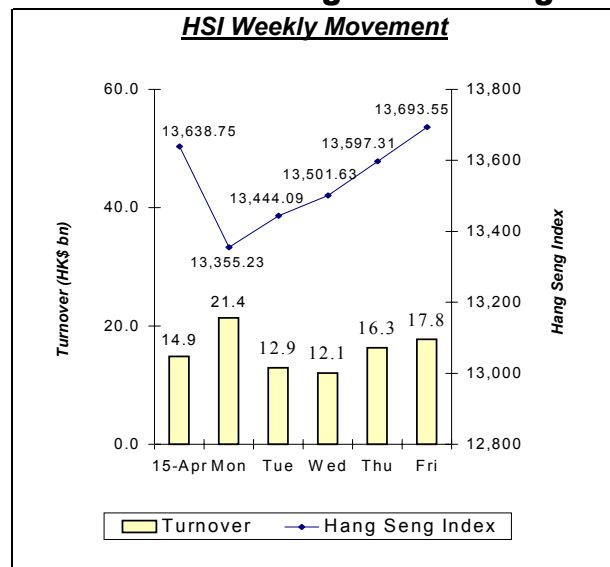
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**Weekly Report**

23<sup>rd</sup> April 2005

## HSI swung in wide range amid volatile US stock market



<b>Weekly Market Statistics</b>				
Week ended	22/04/2005	15/04/2005	Change	%
Hang Seng Index	13,693.55	13,638.75	+54.80	+0.4%
HS Red Chip Index	1,537.92	1,537.61	+0.31	+0.0%
HS China Enterprises Index	4,708.80	4,721.01	-12.21	-0.3%
HS Composite Index	1,770.02	1,770.29	-0.27	-0.0%
HS HK Composite Index	1,870.56	1,869.02	+1.54	+0.1%
HS Mainland Composite Index	1,576.60	1,580.60	-4.00	-0.3%
S&P/HKEx GEM Index	914.62	934.57	-19.95	-2.1%
Avg Daily Turnover (HK\$ bn)	16.09	13.43	+2.66	+19.8%
<b>Sectoral Indices</b>				
Finance	26,530.34	26,499.11	+31.23	+0.1%
Utilities	29,904.66	29,799.26	+105.40	+0.4%
Properties	16,839.84	16,727.92	+111.92	+0.7%
Comm & Ind	6,056.79	6,019.22	+37.57	+0.6%

## Review & Outlook of Market Performance

Hong Kong stock market opened the week low with a 280-point plunge, tracking weakness in US equities amid mounting concerns of an economic slowdown and weak corporate earnings. But HK stocks managed to reverse most of the losses and ended in a mild gain, as bargain hunting and some hot money inflow helped support share prices. Speculation of Renminbi revaluation re-surfaced and attracted inflow of hot money, after the Fed chairman Greenspan said China would be "sooner than later" to de-peg RMB with the US dollar. Over the week, the Hang Seng Index was up 54.80 points or 0.4% at 13,693.55. Turnover revived with average daily turnover of HK\$16.09 billion, against HK\$13.43 billion in the previous week.

Oil producers were among the winners, amid a renewed rally in crude oil prices. New York crude oil futures for June delivery jumped US\$4.90 w-o-w to US\$55.39 per barrel, which helped boost CNOOC and PetroChina 3.64% and 0.52% w-o-w higher at HK\$4.275 and HK\$4.80 respectively. However, the gain in PetroChina failed to support the H-share index, as investors worried that the stronger-than-expected 9.5% GDP growth in China during 1Q2005 would trigger another round of monetary tightening. HSCEI slipped 0.26% w-o-w to 4,708.80, with China Southern Airlines down a sharp 8.74% at HK\$2.35 and Weiqiao Textile 5.21% lower at HK\$10.00.

Trailing H shares' sluggish performance, 19 out of 30 HSCCI constituents ended in deficits. CITIC Resources was the biggest loser – down 11.11% w-o-w at HK\$1.28, as its 2004 results failed to impress investors. The company reported a 146x jump in turnover and returned to profit in 2004, but its net margin stayed low at only 1.4%. Nonetheless, a rise in heavyweights CNOOC and China Mobile helped cap the losses, sending the HSCCI flat w-o-w at 1,537.92.

The market would keep an eye on crude oil price movements, as high oil prices would be beneficial to some companies (e.g. oil producers) but detrimental to the others (e.g. airlines). It was also worried that rising energy costs may lead to a slowdown in global economic recovery as it would pinch corporate earnings and curb consumer spendings. Meanwhile, having located a support near 13,400 – a key support level in 1Q2005 – over the past week is regarded as a positive sign to the HSI in the near term. But without fresh catalysts, upside of the blue-chip index is expected to be capped near 13,800.

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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							
22nd April	10,157.71	1,932.19	11,045.95	2,136.91	877.78	677.25	5,747.09
15th April	10,087.51	1,908.15	11,370.69	2,150.23	874.25	698.28	5,888.37
Change	+70.20	+24.04	-324.74	-13.32	+3.53	-21.03	-141.28
%	+0.7%	+1.3%	-2.9%	-0.6%	+0.4%	-3.0%	-2.4%

## Major Changes in Index Constituent Stocks (Week ended 22<sup>nd</sup> April 2005)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @22/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.45	-HK\$0.10	-3.92%	Lenovo was mainly tracking the weak share performance of IBM last Friday, after the world largest computer maker reported lower-than-expect earnings. Lenovo agreed with IBM to acquire its personal computer unit for US\$1.25 billion.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @22/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.65	-HK\$0.125	-4.50%	Mainland air carriers were among the losers over the week, as investors worried a renewed rally in crude oil prices would push up their fuel costs, eating into their profit margins this year. For instance, New York light crude oil spot-month futures price jumped 9.7% w-o-w to US\$55.39 per barrel.
China Eastern Airlines	0670	HK\$1.35	+HK\$0.00	+0.00%	
China Southern Airlines	1055	HK\$2.35	-HK\$0.225	-8.74%	

### Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @22/04/05	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL Multimedia	1070	HK\$1.68	-HK\$0.16	-8.70%	The TV maker reported an 86% y-o-y in net profit to HK\$34.3 million, much worse than the consensus forecast of HK\$110 million. It was mainly due to the weak performance of its joint venture with France's Thomson.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing starts – March	-17.6%	US housing starts tumbled 17.6% to annualized 1.837 million in March, the biggest drop since January 1991.
Consumer price index – March	+0.6%	CPI and core CPI rose 0.6% and 0.4% in March, respectively, higher than consensus forecast of a 0.5% and 0.2% rise.
Initial jobless claims – the week ended 16 <sup>th</sup> April 2005	296,000	Initial jobless claims fell 36,000 over the week to 296,000, the second time below 300,000 since October 2000 and well below market expectation of a milder drop to 329,000.
Index of leading indicators – March	115.1	The index of leading indicators fell 0.4% in March, matching consensus forecast of a 0.3% drop.
Mid-Atlantic business activity index – April	25.3	The index jumped to 25.3 in April from 11.4 in March, bucking market expectations of a drop to 10.0 as well as increasing fears of an economic slowdown.

**Forthcoming Important Announcements / Events**

25 <sup>th</sup> April 2005 (Monday)	HK	:	Brilliance China (1114) – final results CCT Telecom (0138) – final results China Southern Airlines (1055) – final results CNPC (Hong Kong) (0135) – final results Global Green (0274) – final results Maanshan Iron (0323) – final results New Focus Auto (0360) – final results Sing Tao (1105) – final results Yanzhou Coal (1171) – final results Zhongtian International (2379) – final results
	US	:	Existing home sales – March 2005 SBC Communications – Q1 2005 results
26 <sup>th</sup> April 2005 (Tuesday)	HK	:	Aeon Credit (0900) – final results China Star Entertainment (0326) – final results China Strategic (0235) – final results Karl Thomson (0007) – final results Luks Industrial (Group) (0366) – final results Nanjing Panda (0553) – final results Wing On Travel (1189) – final results
	US	:	New home sales – March 2005 Consumer confidence index – April 2005 DuPont Co – Q1 2005 results
27 <sup>th</sup> April 2005 (Wednesday)	HK	:	Guangzhou Pharmaceutical (0874) – final results Jiaoda Hightech (0300) – final results Lee Hing (0068) – final results
	US	:	Durable goods orders – March 2005 Phelps Dodge Corp – Q1 2005 results Starbucks Corp – Q2 2004/05 results Verizon Communications
28 <sup>th</sup> April 2005 (Thursday)	HK	:	External trade – March 2005 Beijing Yanhua (0325) – final results Rex Capital (0155) – final results Wah Yuen Holdings (2349) – final results
	US	:	Gross domestic product – Q1 2005 Initial jobless claims – week ended 23 <sup>rd</sup> April 2005 Exxon Mobil Corp – Q1 2005 results
29 <sup>th</sup> April 2005 (Friday)	HK	:	TCL Communications (2618) – Q1 results
	US	:	Personal income and spending – March 2005 Consumer sentiment – April 2005