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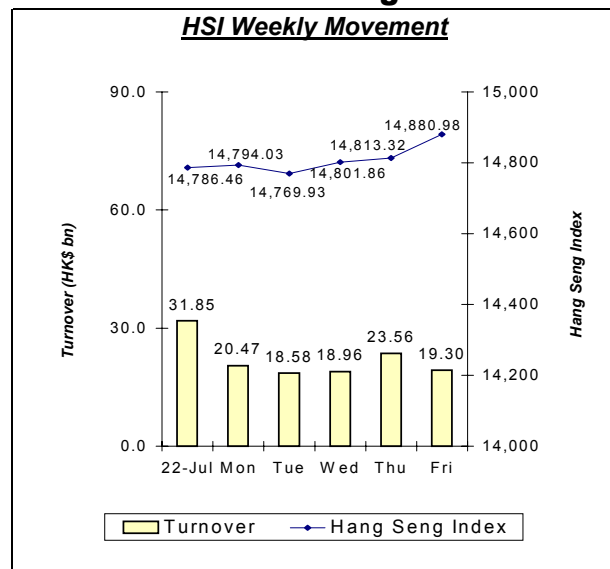
HONG KONG RESEARCH

Restricted circulation

Weekly Report

30th July 2005

Market range traded on the eve of reporting season



Weekly Market Statistics				
Week ended	29/07/2005	22/07/2005	Change	%
Hang Seng Index	14,880.98	14,786.46	+94.52	+0.6%
HS Red Chip Index	1,777.10	1,731.52	+45.58	+2.6%
HS China Enterprises Index	5,263.41	5,139.10	+124.31	+2.4%
HS Composite Index	1,928.10	1,913.08	+15.02	+0.8%
HS HK Composite Index	2,006.54	2,003.10	+3.44	+0.2%
HS Mainland Composite Index	1,781.82	1,742.68	+39.14	+2.2%
S&P/HKEx GEM Index	911.37	884.95	+26.42	+3.0%
Avg Daily Turnover (HK\$ bn)	20.17	23.65	-3.48	-14.7%
Sectoral Indices				
Finance	27,241.62	27,259.64	-18.02	-0.1%
Utilities	31,284.85	30,906.07	+378.78	+1.2%
Properties	18,891.68	19,082.47	-190.79	-1.0%
Comm & Ind	6,927.42	6,814.47	+112.95	+1.7%

Review & Outlook of Market Performance

Hong Kong market traded in a narrow range this week as investors stayed on sidelines ahead of the interim result announcements of HSBC (0005) and Hang Seng Bank (0011) next Monday. The Hang Seng Index gained 94.52 points, or 0.6% w-o-w, to close at 14,880.98 with the average daily turnover shrank to HK\$20.17 billion from last week's HK\$23.65 billion.

Investors switched out from property stocks to selective banking counters that were considered laggards in the recent rally. Mid-sized banks like Dah Sing Financial Holding (0440) and Wing Hang Bank (0302) attracted buying interests as their interest margins are expected to improve on recent prime rate hikes. Dah Sing Financial and Wing Hang rose 3.6% and 0.9% w-o-w to close at HK\$56.80 and HK\$55.55 respectively. Investors also eyed on banks with high property exposure like BOC Hong Kong (2388) due to potential revaluation gain from its property portfolio. The counter closed up 1.0% w-o-w at HK\$15.70.

During the week, Jiangxi Copper placed 231 million new shares at HK\$3.813 each, some 7.0% discount to its last traded price of HK\$4.1. It triggered profit taking on other property counters as rumour had it that there would be a fresh round of cash calls. "Usual suspects" like Hang Lung properties (0101) and Sino Land (0083) were particularly affected. Hang Lung fell 3.2% w-o-w to close at HK\$9.2 while Sino Land lost 2.4% w-o-w at HK\$12.35.

On the H-shares front, HSCEI gained 124.31 points, or 2.4% w-o-w, to close at 5,263.41 even though the PRC Government played down the possibility of another round of Renminbi revaluation in the near term. Petrochemical shares like Zhenhai Refinery (1128) and Sinopec (0386) were investors' favourites as they were considered to be the best proxies for playing the Renminbi revaluation theme. PetroChina (0857) made a fresh high again to close up 7.8% w-o-w at HK\$6.95 on rebound of oil prices.

The market is expected to be volatile going forward when the reporting season starts kicking in next week. Market attention will be focused on the results announcements of HSBC (0005) and Hang Seng Bank (0011) next Monday. HSI might test the 15,000 level should there be any pleasant surprises.

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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							
29th July	10,640.91	2,184.83	11,899.60	2,352.56	937.39	675.67	6,311.98
22nd July	10,651.18	2,179.74	11,695.05	2,319.34	939.69	648.92	6,380.73
Change	-10.27	+5.09	+204.55	+33.22	-2.30	+26.75	-68.75
%	-0.1%	+0.2%	+1.7%	+1.4%	-0.2%	+4.1%	-1.1%

Major Changes in Index Constituent Stocks (Week ended 29th July 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @29/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$5.3	+HK\$0.55	+11.6%	Rumour had it that (although denied by the company) the company had given up its intention to take over Unocal in face of strong opposition from the U.S. congress.
Sino Land	0083	HK\$9.2	-HK\$0.3	-3.2%	There was concern about possible cash calls from the companies.
Hang Lung Property	0101	HK\$12.35	-HK\$0.3	-2.4%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Zhenhai Refinery	1128	HK\$8.3	+HK\$0.8	+10.7%	The counter is considered as the best proxy for playing the RMB revaluation theme.
Jiangxi Copper	0358	HK\$3.925	-HK\$0.15	-3.7%	The company placed 231 million new shares at HK\$3.813 each, some 7% discount to its last traded price of HK\$4.1 prior to its shares being suspended for trading.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @29/07/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$3.05	+HK\$0.25	+8.9%	The company's sales rose 35% y-o-y in the first half of 2005, and it expects full-year growth to hit 30% y-o-y.

Summary of US Economic News

Indicator	Change/Index	Comments
June Existing Home Sales	+2.7%	The increase was higher than consensus forecast (+1.4%) as low mortgage rates and favourable market conditions continued to attract buyers.
June Durable Goods Orders	+1.4%	The figure was higher than forecast (-0.5%). Computers and electronic products, up four of the last five months, had the largest increase, US\$ 3.0 billion or 8.6% m-o-m to US\$38.2 billion.
Initial Jobless Claims – For week ended 23 rd July	+5k	The increase was lower than consensus (+12k) while the four week moving average continued declining.
Q2 Advance GDP	+3.4%	The increase met market expectation (+3.4%). Major contributors to the increase were personal consumption expenditures, exports, equipment and software, residential fixed investment and government spending.
End of July Univ. of Michigan Consumer Sentiment Index	96.5	The figure was slightly higher than the consensus forecast (96.5) and that of the previous month (96.0).
July Chicago Purchasing Managers Index	63.5	The figure was above the consensus forecast (55.0) and that of the previous month (53.6).

Forthcoming Important Announcements / Events

1 st August 2005 (Monday)	HK US	: : : : :	HSBC Holdings Plc. (0005) – Interim results Hang Seng Bank Limited (0011) – Interim results August ISM Manufacturing Business Index June Construction Spending Unocal (UCL) – Q2 results
2 nd August 2005 (Tuesday)	HK US	: : : : : : :	MTR Corporation Limited (0066) – Interim results June Personal Income June Personal Spending June Factory Order Aon Corporation (AOC) – Q2 results Qwest Communications (Q) – Q2 results Tyco International (TYC) – Q3 results
3 rd August 2005 (Wednesday)	HK US	: : : : : : :	The Bank of East Asia Limited (0023) – Interim results July ISM Non-manufacturing Business Index CIGNA (CI) – Q2 results Prudential Financial (PRU) – Q2 results Time Warner Inc. (TWX) – Q2 results
4 th August 2005 (Thursday)	HK US	: : : : : : :	No Important Announcements / Events Initial Jobless Claims – Week ended 30 th July Manulife Financial Corporation (MFC) – Q2 results The Gillette Company (G) – Q2 results Viacom (VIA) – Q2 results
5 th August 2005 (Friday)	HK US	: : : : : : :	OOIL (0316) – Interim results July Non-farm Payrolls July Unemployment Rate Berkshire Hathaway Inc. (BRKA) – Q2 results