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HONG KONG RESEARCH

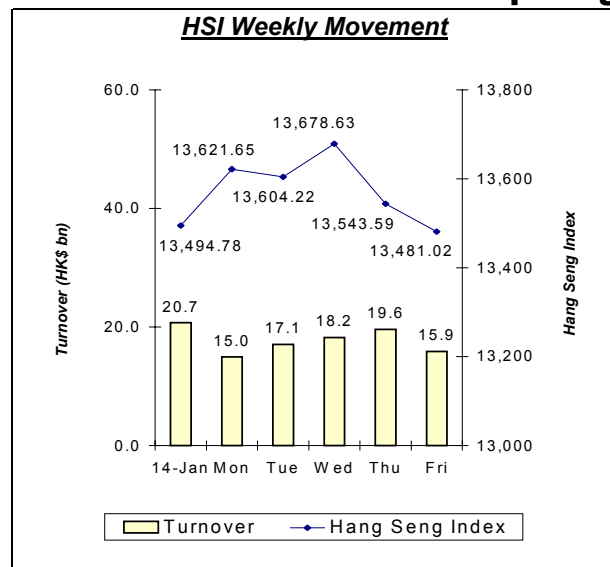
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Weekly Report

22nd January 2005

Wall Street slump weighed on blue-chip shares



Weekly Market Statistics				
Week ended	21/01/2005	14/01/2005	Change	%
Hang Seng Index	13,481.02	13,494.78	-13.76	-0.1%
HS Red Chip Index	1,459.05	1,446.31	+12.74	+0.9%
HS China Enterprises Index	4,566.74	4,540.60	+26.14	+0.6%
HS Composite Index	1,739.32	1,739.92	-0.60	-0.0%
HS HK Composite Index	1,857.08	1,862.74	-5.66	-0.3%
HS Mainland Composite Index	1,507.51	1,497.09	+10.42	+0.7%
S&P/HKEx GEM Index	970.90	971.13	-0.23	-0.0%
Avg Daily Turnover (HK\$ bn)	17.15	19.87	-2.72	-13.7%
Sectoral Indices				
Finance	27,056.61	27,134.59	-77.98	-0.3%
Utilities	29,942.05	30,087.91	-145.86	-0.5%
Properties	16,516.94	16,733.08	-216.14	-1.3%
Comm & Ind	5,733.95	5,703.62	+30.33	+0.5%

Review & Outlook of Market Performance

The Hong Kong market traded range-bound during the week. Rate-sensitive property stocks suffered losses as concerns over higher US interest rates lingered. Trading was less active than previous week as market focus has been shifted slightly to initial public offerings for the winemaker, Dynasty Fine Wines and printed circuit board manufacturer 3CEMS. The HSI closed down 13.76 points, or 0.10% w-o-w, at 13,481.02. Average daily turnover was HK\$17.15 billion.

The US reported a 0.8% rise in industrial output in December, the strongest growth in 4 years. Benefiting from the positive data, exporters like Li & Fung and Johnson Electric enjoyed gains of 2.06% w-o-w and 0.69% w-o-w respectively. Yue Yuen Industrial, however, slumped 5.5% on Wednesday after it posted weaker-than-expected full-year earnings. The disappointing results prompted Merrill Lynch to cut its estimates of the company's FY2005 and FY2006 earnings by 15% on expectations of lower operating margins. The shares closed the week at HK\$20.25, down 7.95% w-o-w.

Boosted by hopes for capital inflows from China as the mainland government opens the door to the National Social Security Fund investing overseas, H-shares and red chips bested the blue chips, rising 0.58% and 0.88% respectively over the week.

China Unicom jumped 9.65% w-o-w, as there were renewed rumours that the mainland government would break up its parent, China United Telecommunications, and split its assets between fixed-line operators China Telecom and China Netcom Group. Meanwhile, some market watchers said the possible reshuffle could stumble over disparities in the valuations of the companies' listed units and might not be welcomed by foreign investors.

Looking into next week, the local market would continue to seek direction from coming US corporate results and economic indicators. Nevertheless, prevailing concerns over rising US interest rates and possible fund outflows might keep the HSI range-traded between 13,350 and 13,650.

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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 21st January	10,392.99	2,034.27	11,238.37	2,085.39	929.72	696.85	5,848.91
14th January	10,558.00	2,087.91	11,438.39	2,076.13	929.74	701.66	5,889.52
Change	-165.01	-53.64	-200.02	+9.26	-0.02	-4.81	-40.61
%	-1.6%	-2.6%	-1.7%	+0.4%	-0.0%	-0.7%	-0.7%

Major Changes in Index Constituent Stocks (Week ended 21st January 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @21/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$6.25	+HK\$0.55	+9.65%	Rumour has it that the government would break up its parent, China United Telecommunications, and split its assets between fixed-line operators China Telecom and China Netcom Group.
CITIC Pacific	0267	HK\$21.85	+HK\$1.3	+6.33%	CITIC Pacific set to buy from its parent CITIC Corp, 35% stake in a joint venture with the world's largest retailer Wal-Mart.
Yue Yuen Industrial	0551	HK\$20.25	-HK\$1.75	-7.95%	Yue Yuen posted an unexpected 25% drop in net profit as rising chemical and electricity drove up costs and squeezed margins.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @21/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Company	1211	HK\$22.15	+HK\$2.1	+10.47%	The shares rose on growing expectations for strong Q4 earnings.
Angang New Steel	0347	HK\$4.275	+HK\$0.225	+5.56%	Angang New Steel was buoyed by expectations of strong earnings backed by robust global demand.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @21/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$3.075	+HK\$0.875	+39.77%	Kingway Brewery's joint venture partner, the Dutch brewer Heineken, has expressed that it would be interested to further increase its shareholding in Kingway Brewery.
Cosco Pacific	1199	HK\$15.3	+HK\$0.8	+5.52%	Cosco Pacific is in talks with Ningbo Port Group, ahead of new port projects planned for this year in Zhejiang province.

**Summary of US Economic News**

Indicator	Change/Index	Comments
NY Empire State Index – January 2005	20.1	The general business conditions index slipped to 20.1 in January from 27.1 in December, well below a consensus forecast of 27.0.
Consumer Price Index – December 2004	-0.1%	CPI fell 0.1% in December, led by weaker gasoline and heating oil prices. Excluding volatile food and energy costs, the core CPI rose 0.2%, matching expectations.
Housing Starts – December 2004	2 million	Housing starts rose 10.9% last month, beating expectations and making the biggest jump in more than 7 years.
Initial Jobless Claims – 15 th January 2005	319,000	Initial jobless claims unexpectedly plunged 48,000 last week, the largest drop in more than 3 years, fuelling hopes for better job market conditions.
Consumer Sentiment – January 2005	95.8	Consumer sentiment eased to 95.8 in January, down from December's reading of 97.1, surprising economists who expected an increase.

Forthcoming Important Announcements / Events

24 th January 2005 (Monday)	HK US	: : :	QPL International Holdings (0243) – Interim results American Express Co. – Q4 results Kimberly-Clark Corp. – Q4 results
25 th January 2005 (Tuesday)	US	:	Existing Home Sales – December 2004 Consumer Confidence – January 2005 DuPont (El) De Nemours & Co. – Q4 results Johnson & Johnson Inc. – Q4 results Merck & Co. Inc. – Q4 results Merrill Lynch & Co. Inc. – Q4 results Schlumberger Ltd. – Q4 results Texas Instruments Inc. – Q4 results Unisys Corp. – Q4 results Xerox Corp. – Q4 results
26 th January 2005 (Wednesday)	HK US	: : :	Beijing North Star Company (0588) – Final results Eli Lilly & Co. – Q4 results SBC Communications Inc. – Q4 results Starbucks Corp. – Q1 results
27 th January 2005 (Thursday)	HK US	: : :	External Trade – December 2004 Durable Goods Orders – December 2004 Initial Jobless Claims – 22 nd January 2005 Colgate-Palmolive Co. – Q4 results Dow Chemical Co. – Q4 results Microsoft Corp. – Q2 results United Parcel Service Inc. – Q4 results Verizon Communications Inc. – Q4 results
28 th January 2005 (Friday)	US	:	GDP – Q4 2004 ChevronTexaco Corp. – Q4 results McDonald's Corp. – Q4 results Procter & Gamble Co. – Q2 results