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HONG KONG RESEARCH

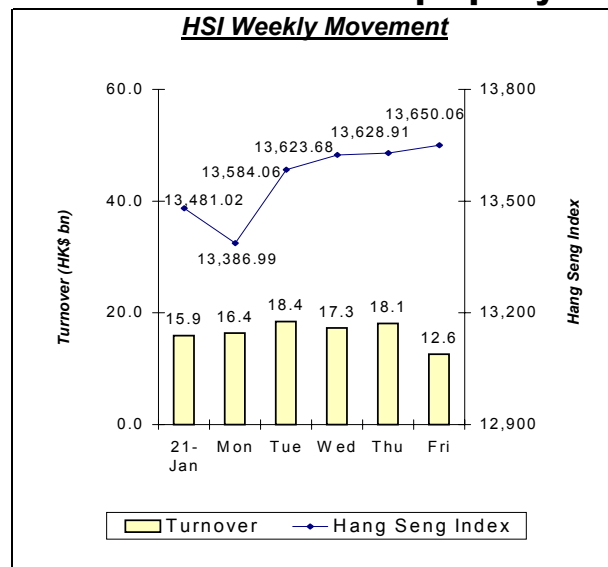
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Weekly Report

29th January 2005

Rebound of property counters buoyed the market



Weekly Market Statistics				
Week ended	28/01/2005	21/01/2005	Change	%
Hang Seng Index	13,650.06	13,481.02	+169.04	+1.3%
HS Red Chip Index	1,483.11	1,459.05	+24.06	+1.6%
HS China Enterprises Index	4,711.88	4,566.74	+145.14	+3.2%
HS Composite Index	1,764.52	1,739.32	+25.20	+1.4%
HS HK Composite Index	1,879.46	1,857.08	+22.38	+1.2%
HS Mainland Composite Index	1,539.22	1,507.51	+31.71	+2.1%
S&P/HKEx GEM Index	968.12	970.90	-2.78	-0.3%
Avg Daily Turnover (HK\$ bn)	16.56	17.15	-0.59	-3.5%
Sectoral Indices				
Finance	27,367.41	27,056.61	+310.80	+1.1%
Utilities	30,406.72	29,942.05	+464.67	+1.6%
Properties	16,811.80	16,516.94	+294.86	+1.8%
Comm & Ind	5,800.57	5,733.95	+66.62	+1.2%

Review & Outlook of Market Performance

Hong Kong market stopped drifting downwards and recorded its first weekly gain for the year on the rebound of property counters. Earlier in the week, rate sensitive property stocks had a strong comeback after major bankers commented that Hong Kong might not need to follow U.S. rate hikes closely given the ample liquidity in the system. The HSI gained 169.04 points, or 1.30% w-o-w, at 13,650.06. HSI properties sub-index ended the week with a gain of 1.80%, outperformed the general market. Average daily turnover was HK\$16.56 billion.

Besides properties, China related telecom counters also drew investors' attention after a mainland newspaper reported that the Chinese government planned to split up the long distance network of China Unicom into two operators and to give its mobile phones networks to China Telecom and China Netcom. China Unicom (0762) closed unchanged w-o-w at HK\$6.25, China Telecom (0728) was up 5.45% w-o-w at HK\$2.90 while China Netcom (0906) lost 2.20% w-o-w to close at HK\$11.10.

Hopes of Renminbi revaluation have rekindled after China said it would discuss its currency at the G7 meeting next week in London. China's better than expected 2004 GDP growth of 9.50% also provided justification for this belief. HSCEI rose 145.14 points, or 3.20% to 4,711.88. Zijin Mining (2888) was among the top performers that gained 7.26% w-o-w to close at HK\$3.325. Investors bought this gold related counter in anticipation of a renewed decline of the US dollar. On the red-chips front, HSCCI gained 1.60% at 1,483.11. Denway Motor outperformed as the market expected recovery in Chinese car demand in 2005 and the counter was considered by major brokerages as one of the top picks in the sector. It jumped 7.69% w-o-w to close at HK\$2.80.

Looking ahead, we see the market to hover around the current level as it lacks positive news to drive it upwards. Investors' attention would likely shift to "treasure hunting" as early February is the time for quarterly review for the HSI constituent stocks. Even though a 25 basis point rate hike in the U.S at its forthcoming FOMC meetings on 1st and 2nd of February has been largely discounted, comments from the Fed on U.S. economy could still bring volatility to the 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							
28th January	10,427.20	2,035.83	11,320.58	2,089.51	917.23	701.66	5,879.93
21st January	10,392.99	2,034.27	11,238.37	2,085.39	929.72	696.85	5,848.91
Change	+34.21	+1.56	+82.21	+4.12	-12.49	+4.81	+31.02
%	+0.3%	+0.1%	+0.7%	+0.2%	-1.3%	+0.7%	+0.5%

Major Changes in Index Constituent Stocks (Week ended 28th January 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @28/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motor	0203	HK\$2.80	+HK\$0.20	+7.69%	Market expected recovery in Chinese car demand in 2005 and the counter was considered as one of the top picks in the sector by major brokerages.
PCCW	0008	HK\$4.375	-HK\$0.25	-5.41%	Standard and Poor's equity research unit downgraded the counter's rating, citing the Netcom's acquisition as earnings dilutive.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @28/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$3.325	+HK\$0.225	+7.26%	Investors returned to precious metals on concern that the US dollar would resume its down trend soon.
Angang Newsteel	0347	HK\$4.15	-HK\$0.125	-2.92%	The counter would raise money through an 8-for-10 rights issue to purchase assets from its parent that worth 18.02 billion yuan.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @28/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$2.825	-HK\$0.25	-8.13%	Its parent company, GDH, said that it would not divest its controlling stake of Kingway.
TCL Int'l Holdings	1070	HK\$1.59	-HK\$0.11	-6.47%	Analysts were negative on its Q4 earnings outlook, contending that competition from international players like Philips would make its earnings target difficult to achieve.



Summary of US Economic News

Indicator	Change/Index	Comments
December Existing Home Sales	-3.3%	The decrease was greater than consensus (-1.3%). However, the total home sales of 2004 were up 9.4% from 2003 and marked the 4 th consecutive annual record.
Initial Jobless Claims – Week ended 22 nd January	+7k	The increase was less than consensus (+16k). The 4-week moving average was 341,750, an increase of 1,000 from the previous week's revised average of 340,750.
December Durable Goods Orders	+0.6%	The increase was less than expected (+1.2%). Computers and electronic products had the largest increase (+6.4%) following two consecutive declines.
4 th Quarter Advance GDP	+3.1%	The reported growth was less than consensus (+3.6%). It was the lowest rate of growth since 1 st quarter 2003 as climbing imports and falling exports widened trade deficit.
4 th Quarter Employment Cost Index	+0.7%	The increase was less than consensus (+0.8%). Wage grew at the slowest pace in almost six years that offset a rise in the growth of benefit cost.

Forthcoming Important Announcements / Events

31 st January 2005 (Monday)	HK US	: : December Money Supply December Total Loans and Advances December Personal Income December Personal Spending January Chicago Purchasing Managers Index December New Home Sales ExxonMobil Corporation (XOM) – Q4 results Walt Disney (DIS) – Q1 results Wyeth (WYE) – Q4 results
1 st February 2005 (Tuesday)	HK US	: : No Important Announcements / Events January ISM Manufacturing Index December Construction Spending Google (GOOG) – Q4 results Tyco International (TYC) – Q1 results
2 nd February 2005 (Wednesday)	HK US	: : No Important Announcements / Events Federal Reserve FOMC meeting Amazon.com, Inc. (AMZN) – Q4 results Anheuser-Busch Companies, Inc. (BUD) – Q4 results
3 rd February 2005 (Thursday)	HK US	: : The Bank of East Asia, Limited (0023) – Final results IDT International Limited (0167) – 3Q results GR International Holdings Limited (0310) – Final results Initial Jobless Claims – Week ended 29 th January January ISM Non-manufacturing Index December Factory Orders Comcast Corporation (CMCSA) – Q4 results Pepsi Co. (PEP) – Q4 results Sprint Corp. (FON) – Q4 results The Gillette Company (G) – Q4 results
4 th February 2005 (Friday)	HK US	: : No Important Announcements / Events January Non-farm Payrolls January Unemployment Rate University of Michigan End of January Consumer Sentiment Time Warner Inc. (TWX) – Q4 results