



BEA securities

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HONG KONG RESEARCH

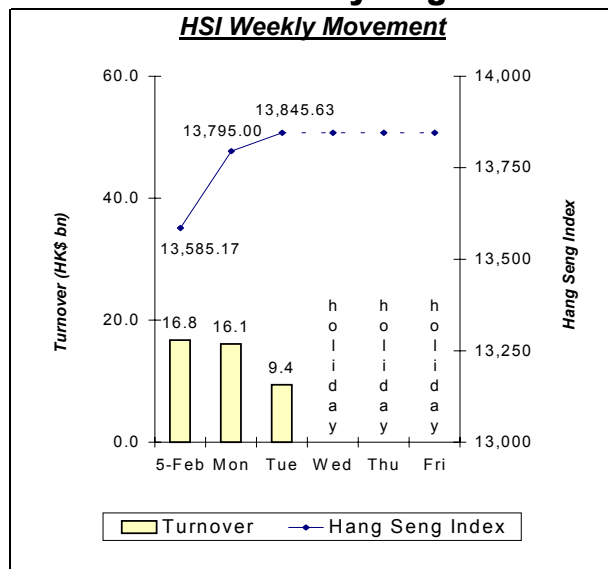
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Weekly Report

12th February 2005

Index Heavyweights fuelled a pre-Lunar New Year Rally



| Weekly Market Statistics | | | | |
|---------------------------------|------------|------------|---------|--------|
| Week ended | 11/02/2005 | 04/02/2005 | Change | % |
| Hang Seng Index | 13,845.63 | 13,585.17 | +260.46 | +1.9% |
| HS Red Chip Index | 1,517.69 | 1,476.89 | +40.80 | +2.8% |
| HS China Enterprises Index | 4,872.19 | 4,750.72 | +121.47 | +2.6% |
| HS Composite Index | 1,797.54 | 1,763.17 | +34.37 | +1.9% |
| HS HK Composite Index | 1,907.49 | 1,874.91 | +32.58 | +1.7% |
| HS Mainland Composite Index | 1,583.61 | 1,544.84 | +38.77 | +2.5% |
| S&P/HKEx GEM Index | 998.39 | 998.54 | -0.15 | -0.0% |
| Avg Daily Turnover (HK\$ bn) | 12.78 | 17.42 | -4.64 | -26.6% |
| Sectoral Indices | | | | |
| Finance | 27,786.06 | 27,294.30 | +491.76 | +1.8% |
| Utilities | 30,552.36 | 30,143.50 | +408.86 | +1.4% |
| Properties | 16,968.33 | 16,641.98 | +326.35 | +2.0% |
| Comm & Ind | 5,895.31 | 5,772.75 | +122.56 | +2.1% |

Review & Outlook of Market Performance

A rally in bellwether HSBC Holdings helped the Hong Kong stock market rebound ahead of the Lunar New Year holidays. HSBC Holdings closed the week at HK\$131.0, up 1.55% w-o-w. Meanwhile, lessening fear about aggressive rate hikes in the US also helped boost share prices. Investors had worried that rising interest rate in the US would trigger capital outflow in HK and hence hurt the liquidity-driven local stock market. However, the concerns were eased, after US reported a weak January payrolls report, pointing to a slow recovery in the world's largest economy. Over the week, the Hang Seng Index rose 1.92% to 13,845.63, with average daily turnover at HK\$12.78 billion over the one and half trading days.

Banking stocks continued to draw investors' interests, after the better-than-expected FY2004 results of BEA. Hang Seng Bank rose 1.44% w-o-w to close HK\$106.0, while BOCHK gained 1.39% to HK\$14.55. Mid-tier banks also performed well, with Wing Lung Bank up 2.17% w-o-w to close HK\$58.75 and ICBC (Asia) up 1.39% w-o-w to close HK\$10.95. Standard Chartered will release its FY2004 final results next week, followed by its banking peers with results announcement mainly in March.

China plays closed firmer over the week, mainly underpinned by index heavyweights PetroChina and Sinopec. HSCEI closed the week 2.56% higher at 4,872.19, while PetroChina rose 2.89% w-o-w to HK\$4.45 and Sinopec gained 2.40% to close HK\$3.20. It was claimed that institutional investors had switched their holdings from CNOOC to the two oil giants, after CNOOC trimmed its 2004 output target. Meanwhile, mainland telecoms continued its recent rally on M&A rumours, even after China Unicom denied that it is in talks for a possible sale of its mobile network. China Telecom jumped 2.50% w-o-w to close HK\$3.075 while China Netcom reaped 4.24% at HK\$12.30.

Hong Kong equities are expected to move higher after the long holidays, as investors continued to rebalance their portfolios after profit taking in January. The stock market is seen supported by banking shares, as BEA's better-than-expected FY2004 results may suggest its peers delivering favourable results as well. HSI is seen testing 14,000 in the coming week with expected support 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 | | | | | | | |
| 12th February | 10,796.01 | 2,076.66 | 11,553.56 | 2,149.60 | 914.91 | 726.20 | 6,034.60 |
| 4th February | 10,716.13 | 2,086.66 | 11,360.40 | 2,113.58 | 907.52 | 719.10 | 6,034.60 |
| Change | +79.88 | -10.00 | +193.16 | +36.02 | +7.39 | +7.10 | +0.00 |
| % | +0.7% | -0.5% | +1.7% | +1.7% | +0.8% | +1.0% | +0.0% |

Remarks for weekly closing dates(*): Japan (10th Feb), Malaysia (8th Feb), Taiwan (3rd Feb)

Major Changes in Index Constituent Stocks (Week ended 12th February 2005)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @08/02/05 | W-O-W Change | | Remarks / Comments |
|---------------|------------|----------------------------|--------------|--------|---|
| | | | Absolute | % | |
| HSBC Holdings | 0005 | HK\$131.0 | +HK\$2.00 | +1.55% | Sources said the banking giant plans to buy shares in Bank of Commercial's IPO scheduled in May to retain its 19.9% stake. |
| Lenovo Group | 0992 | HK\$2.300 | +HK\$0.175 | +8.24% | Shares of Lenovo Group bucked its downward trend after reporting an in-line Q3 results last week. Meanwhile, Lenovo said it is confident the planned acquisition of IBM's PC business would be completed before June, which is still subject to US authorities' approval. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @08/02/05 | W-O-W Change | | Remarks / Comments |
|--------------|------------|----------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Yanzhou Coal | 2600 | HK\$4.625 | +HK\$0.25 | +5.71% | Analysts remain bullish about the sector, as they expect an even bigger coal supply deficit in China this year. |

Hang Seng China-Affiliated Corporation Index (HSCCI)

| Stock | Stock Code | Closing Price @08/02/05 | W-O-W Change | | Remarks / Comments |
|-----------------|------------|----------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Merchants | 0144 | HK\$16.15 | +HK\$0.70 | +4.53% | Shipping-related shares jumped over the week, as investors were bullish on the sector outlook amid booming economy in China. The counter touch a post-1997 high at HK\$16.30 on Tuesday. |
| COSCO Pacific | 1199 | HK\$17.30 | +HK\$0.90 | +5.49% | It tracked its peer to rally over the week, closing at a high not seeing since the Asian financial turmoil during 1997-98. |

Summary of US Economic News

| Indicator | Change/Index | Comments |
|---|-------------------|--|
| Consumer credit – December | +US\$3.1 billion | US consumer credit outstanding rose US\$3.1 billion, less than consensus forecast of a rise of US\$7.7 billion. |
| Wholesale trade – December | +0.9% | Sale at wholesalers rose 0.9% in Dec, matching the rise in wholesale inventory. The inventory-to-sales ratio fell to 1.14 months' worth in Dec from 1.15 months' worth in Nov. For the whole year of 2004, sales grew by a record 13.8%. |
| Initial jobless claims – the week ended 5 th February 2005 | 303,000 | Initial jobless claims fell by 13,000 last week, rather than an expected rise, to a low not seen since Oct 2000. |
| International trade – December | -US\$56.4 billion | US trade deficit fell to US\$56.4 billion in Dec, down from US\$59.3 billion in Nov. For the full year, US trade deficit jumped 24% y-o-y to a record high at US\$618 billion in 2004. |

Forthcoming Important Announcements / Events

| | | |
|--|----------|--|
| 14 th February 2005 (Monday) | HK US | : : Domestic export statistics – 2004 Newmont Mining – Q4 results |
| 15 th February 2005 (Tuesday) | HK US | : : Population estimate – 2004 Titan Petrochemical Group (1192) – final results Applied Materials Inc – Q1 results Qwest Communication – Q4 results Retail sales – January 2005 |
| 16 th February 2005 (Wednesday) | HK US | : : Standard Chartered Plc (2888) – final results Coca Cola Co. – Q4 results Hewlett and Packard Co. – Q1 results Housing starts – January 2005 Industrial production – January 2005 |
| 17 th February 2005 (Thursday) | HK US | : : City e-Solutions (0557) – final results Egana Jewellery & Pearls (0926) – interim results EganaGoldpfeil (Holdings) (0048) – interim results Pico Far East Holdings (0752) – final results NVIDIA Corp – Q4 results Wal-Mart Stores Inc. – Q4 results Initial jobless claims – 12 th February 2005 Index of leading indicators – January 2005 |
| 18 th February 2005 (Friday) | HK US | : : Shenzhen Expressway Co (0548) – final results Producer price index – January 2005 University of Michigan consumer sentiment index (preliminary) – February 2005 |