

**BEA securities**

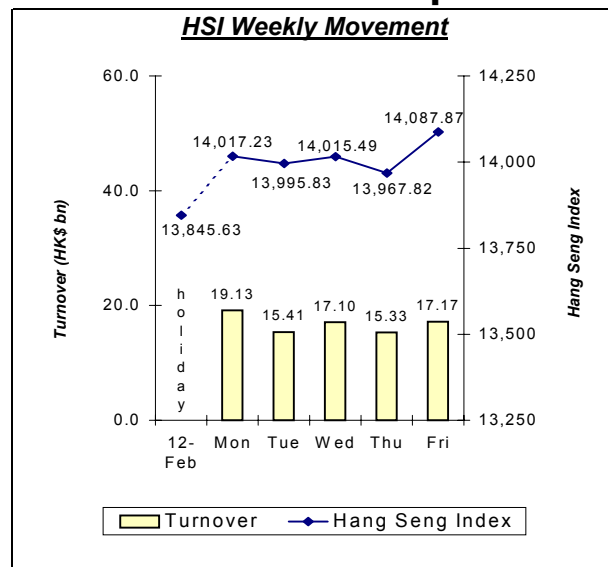
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report19th February 2005**Banks and Properties Helped Pushing Up the Market**

Weekly Market Statistics				
Week ended	18/02/2005	11/02/2005	Change	%
Hang Seng Index	14,087.87	13,845.63	+242.24	+1.7%
HS Red Chip Index	1,556.02	1,517.69	+38.33	+2.5%
HS China Enterprises Index	4,923.54	4,872.19	+51.35	+1.1%
HS Composite Index	1,827.49	1,797.54	+29.95	+1.7%
HS HK Composite Index	1,936.26	1,907.49	+28.77	+1.5%
HS Mainland Composite Index	1,616.56	1,583.61	+32.95	+2.1%
S&P/HKEx GEM Index	1,007.64	998.39	+9.25	+0.9%
Avg Daily Turnover (HK\$ bn)	16.83	12.78	+4.05	+31.7%
Sectoral Indices				
Finance	28,252.66	27,786.06	+466.60	+1.7%
Utilities	30,946.18	30,552.36	+393.82	+1.3%
Properties	17,324.73	16,968.33	+356.40	+2.1%
Comm & Ind	6,001.19	5,895.31	+105.88	+1.8%

Review & Outlook of Market Performance

Hong Kong market retested the 14,000 level this week on strengths of banks and property counters. The Hang Seng Index rose 1.74% or 242 points w-o-w to 14,087.87 with an average daily turnover of HK\$16.83 billion. The Finance and Properties sub-indices gained 1.68% and 2.10% w-o-w respectively.

Banking counters attracted buying interests after the strong results of BEA (0023) and Standard Chartered (2888) which helped boost investors' sentiment and triggered earnings revisions for other banks. For instance, the investment rating and earnings estimate of the BOC (Hong Kong) were revised upwards during the week. The counter rose 1.37% w-o-w to close at HK\$14.75. Investors also bought HSBC (0005) in advance of its earnings announcement on 28th February on expectation that its results would out shine its peers and it would announce higher dividend payouts. HSBC gained 1.91% w-o-w to close at HK\$133.50.

Over the week, property investors also captured market attention due to the upcoming auction of a commercial site in Kowloon Bay area next Tuesday. As the site is close to the office cluster of Kerry Properties (0683), the counter is considered to be the major beneficiary. It surged 8.38% w-o-w to close at HK\$18.10. As the result of the auction would likely cause a revaluation of major office landlords, investors snapped up counters with deep NAV discount such as Hysan (0014) and Great Eagle (0041). Both recorded weekly gains of 6.36% and 5.69% respectively.

HSCEI rose 1.05% w-o-w to close at 4,923.54. Oil stocks outperformed as the geopolitical tension in the Middle East and North Korea drove up oil prices. The rumoured OPEC production cut also caused the oil prices rallying to a three-week high. PetroChina (0857), Sinopec (0388) and CNOOC (0883) surged from 3.93% to 7.55% w-o-w. HSCCI closed the week 2.53% higher at 1,556.02 as investors were "treasure hunting" for potential restructuring candidates.

Looking ahead, HSI would likely stay above the 14,000-level should there be a fierce bidding during the land auction next week. Any earnings revision on index heavyweights could drive the market further up as the earnings season progresses. However, we still see 14,330 a major resistant in the near term.

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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							
19th February	10,785.22	2,058.62	11,660.12	2,168.86	907.75	737.50	6,115.43
12th February	10,796.01	2,076.66	11,553.56	2,149.60	914.91	726.20	6,034.60
Change	-10.79	-18.04	+106.56	+19.26	-7.16	+11.30	+80.83
%	-0.1%	-0.9%	+0.9%	+0.9%	-0.8%	+1.6%	+1.3%

Major Changes in Index Constituent Stocks (Week ended 19th February 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @18/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC Ltd.	0883	HK\$4.275	+HK\$0.300	+7.55%	Oil related counters were driven by the bullish outlook for oil prices under the geopolitical tension in the Middle East and North Korea. The rumoured OPEC production cut also caused the oil prices rallying to a three-week high.
Sinopec	0388	HK\$3.225	+HK\$0.175	+5.74%	
PetroChina	0857	HK\$4.625	+HK\$0.175	+3.93%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @18/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Jiangxi Copper	0358	HK\$4.600	+HK\$0.325	+7.60%	Speculative buying caused high-grade copper futures surged to contract highs in New York.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @18/02/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$1.840	+HK\$0.290	+18.71%	There was speculation that the counter would be a candidate for the China Resources Group's restructuring.



Summary of US Economic News

Indicator	Change/Index	Comments
January Retail and Food Sales	-0.3%	The decrease was less than the market consensus (-0.4%). It was mainly caused by a 3.3% decline in purchases of motor vehicles and parts.
January Housing Starts	+4.7%	The number of housing starts was at a seasonally adjusted rate of 2,159,000 that was much higher than the consensus forecast (-3.5%).
January Industrial Production	Unchanged	The figure was less than the consensus forecast (+0.4%) as there was lower utilities output due to warmer temperature.
January Capacity Utilisation	79.0%	The figure was slightly lower than the consensus forecast (79.3%) and was still 2% lower than its 1972 –2004 average of 81%.
Initial Jobless claims – Week ended 12 th February	-2k	The 4-week moving average was 311,750, a decrease of 4,000 from the previous week's revised average of 315,750.
January Import Prices	+0.9%	The figure was higher than consensus (+0.5%) and was mainly due to the increase of petroleum prices.
January Producer Price Index – Ex Food and Energy	+0.8%	The increase far exceeded market consensus (+0.2%) and was the biggest increase since December 1998.

Forthcoming Important Announcements / Events

21 st February 2005 (Monday)	HK	:	January Unemployment Rate
	US	:	January Consumer Price Index
22 nd February 2005 (Tuesday)	HK	:	No Important Announcements / Events
	US	:	Government Land Auction Top Form International Limited (0333) – Interim results Home Depot Inc. (HD) – Q4 results
23 rd February 2005 (Wednesday)	HK	:	Pacific Century Insurance (0065) – Final results Wing Lung Bank Limited (0096) – Final results Esprit Holdings Limited (0330) – Interim results
	US	:	January Consumer Price Index January Consumer Price Index Ex. Food and Energy CIENA Corporation (CIEN) – Q1 results
24 th February 2005 (Thursday)	HK	:	San Miguel Brewery Hong Kong Limited (0236) – Final results
	US	:	ASM Pacific Technology (0522) – Final results Initial Jobless Claims – Week ended 19 th February January Durable Goods Order Gap Inc. (GPS) – Q4 results JC Penny (JCP) – Q4 results Viacom (VIA) – Q4 results
25 th February 2005 (Friday)	HK	:	Guoco Group Limited (0056) – Interim results
	US	:	Fourth Quarter Preliminary GDP January Existing Home Sales