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HONG KONG RESEARCH

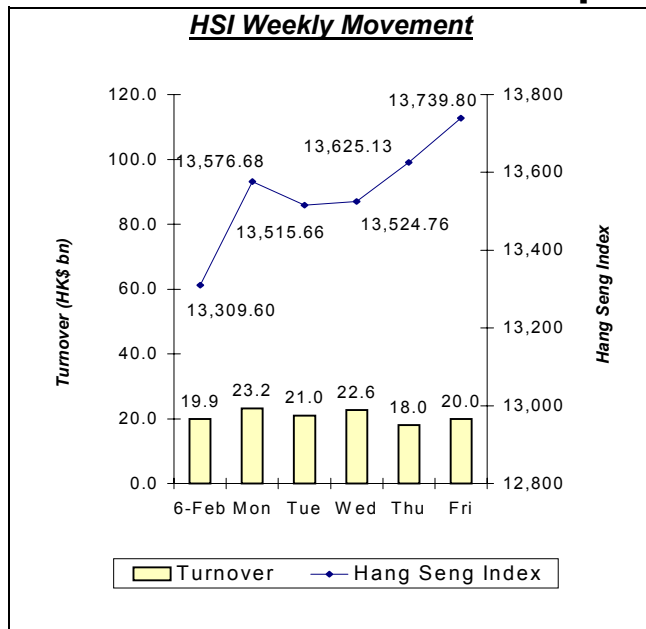
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Weekly Report

14th February, 2004

Market sentiment turns upbeat on hopes for better earnings



Weekly Market Statistics				
Week ended	13/02/2004	06/02/2004	Change	%
Hang Seng Index	13,739.80	13,309.60	+430.20	+3.2%
HS Red Chip Index	1,600.39	1,534.24	+66.15	+4.3%
HS China Enterprises Index	4,943.99	4,765.67	+178.32	+3.7%
HS Composite Index	1,769.89	1,716.89	+53.00	+3.1%
HS HK Composite Index	1,842.81	1,793.92	+48.89	+2.7%
HS Mainland Composite Index	1,642.05	1,577.44	+64.61	+4.1%
S&P/HKEx GEM Index	1,303.95	1,275.99	+27.96	+2.2%
Avg Daily Turnover (HK\$ bn)	20.95	17.85	+3.10	+17.4%
Sectoral Indices				
Finance	27,259.08	26,311.75	+947.33	+3.6%
Utilities	26,531.53	25,841.97	+689.56	+2.7%
Properties	17,605.57	17,452.43	+153.14	+0.9%
Comm & Ind	5,964.30	5,753.59	+210.71	+3.7%

Review & Outlook of Market Performance

Hong Kong stocks rose for 4 out of 5 days this week, as a couple of blue-chip companies kicked off the reporting season with some better-than-expected figures, despite certain fund-raising news by some listed firms. Sentiment was upbeat and the HSI finished Friday at 13,739.80, up 430.20 points or 3.2% w-o-w, with an average daily turnover of HK\$20.95 billion.

The Bank of East Asia reported a cheering 51.3% rise in net profit for the year ended 31st December 2003, mainly on a fall in bad-debt charges and higher non-interest income. The bank also proposed a final dividend of HK\$62 per share, versus HK\$35 a year earlier. As a result, the counter went up 3.0% w-o-w to HK\$25.35. Stimulated by these outstanding numbers, other banking counters remained firm throughout the week, with HSBC (HK\$126.00) and Hang Seng Bank (HK\$109.50) up 3.3% and 2.8%. BOC Hong Kong (HK\$15.60), Standard Chartered (HK\$135.50) and ICBC (Asia) (HK\$12.65) even gained 7.6%, 6.3% and 10.5% respectively over the week. In the meantime, Esprit has taken the limelight this week, as it announced a respectable 53.3% y-o-y increase in net profit for the 6 months ended 31st December 2003. Taking this opportunity, its 2nd-largest shareholder placed 20 million shares at HK\$28.80 each following the announcement. Despite the placing news, the stock still closed the week up 15.6% to HK\$30.80 as investors were still upbeat on the fashion retailer/wholesaler's earnings prospects. Later in the week, trading in New World Development was suspended and the developer announced on Friday a 2-for-5 rights issue at HK\$5.40 per share to raise about HK\$5.3 billion. The rights issue price was set at some 38% discount to its closing price of HK\$8.70 on Thursday.

Elsewhere, H shares closed slightly higher on week, although BP placed its entire 2.1% stake in Sinopec (HK\$3.275, +0.8% w-o-w) at HK\$3.15 per share. Other heavyweights PetroChina (HK\$4.00, +2.6% w-o-w), China Telecom (HK\$3.075, +1.6% w-o-w) and Chalco (HK\$6.05, +7.1% w-o-w) all picked up steam, pushing the HSCEI (4,943.99, +3.7% w-o-w) a step closer to the 5,000 mark. After the quarterly review, it was announced on Friday that there were no changes made to the constituents of the HSI, but effective 8th March, 6 companies have been added to the Hang Seng China Enterprises Index, including China Life Insurance (2628), PICC (2328), Great Wall Auto (2333), AviChina (2357), Zijin Mining (2899) and Weiqiao Textile (2698). Meanwhile, Beijing North Star has been removed from the H-share index.

Looking into next week, investors should focus on the earnings reports of the Hang Lung pair as well as Standard Chartered on Wednesday, which should give a clearer picture over a possible recovery in Hong Kong's economy. Over in the US, the PPI and CPI for January would also be announced later in the week. We think the HSI should have a good support at 13,500 level awaiting further positive earnings surprises to kick the index to test 14,000.

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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							
13th February	10,627.85	2,053.56	10,557.69	1,864.07	825.91	755.18	6,549.18
6th February	10,593.03	2,064.01	10,460.92	1,854.41	815.42	711.15	6,353.35
Change	+34.82	-10.45	+96.77	+9.66	+10.49	+44.03	+195.83
%	+0.3%	-0.5%	+0.9%	+0.5%	+1.3%	+6.2%	+3.1%

Index Weighting Changes (Week ended 13th February 2004)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @13/02/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$30.80	+HK\$4.15	+15.6%	Esprit has taken the limelight this week, as it announced a respectable 53.3% y-o-y increase in net profit for the 6 months ended 31 st December 2003. Taking this opportunity, its 2 nd -largest shareholder placed 20 million shares at HK\$28.80 each. Despite the share placement news, the stock still closed the week up 15.6% as investors were still upbeat on the fashion retailer/wholesaler's earnings prospects.
Television Broadcasts	0511	HK\$40.40	-HK\$2.90	-7.7%	Shares of the company went down this week after being reported that it would likely to see a double-digit decline in net profit for 2003 due to provisions and increased depreciation charges.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @13/02/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Eastern Airlines	0670	HK\$1.64	+HK\$0.27	+19.7%	Share prices of the dual rocketed this week after China said it had scrapped a construction fee levied on airlines. The fee, which went towards the building of airport infrastructure, amounted to 5% of domestic tickets and 2% of international tickets.
China Southern Airlines	1055	HK\$4.15	+HK\$0.55	+15.3%	
Zhenhai Refining & Chemical	1128	HK\$9.10	+HK\$1.60	+21.3%	The counter went up this week after BP said it would not sell its stake in the company despite its earlier move to sell its stake in Zhenhai's parent Sinopec.

Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale inventories - December	+0.6% m-o-m	Inventories at US wholesalers rose 0.6% in December 2003, the largest increase since a 0.8% rise in December 2002, following a gain of 0.5% in November.
Business inventories - December	+0.3% m-o-m	Business inventories rose by a better-than-expected 0.3% in December after a revised 0.4% gain in November. Business sales climbed 0.9% in December.
Retail sales - January	-0.3% m-o-m	Retail sales fell 0.3% in January, versus an expected unchanged growth, after rising a revised 0.2% in December. Excluding the volatile automobile sales, retail sales rose 0.9% in January, versus an expected 0.5% gain, after rising a revised 0.2% in December.
Trade balance - December	US\$42.48-billion debut	Trade deficit grew to US\$42.48 billion in December from a revised US\$38.35 billion in November. Market estimated earlier that the figure would rise to US\$40 billion.

Forthcoming Important Announcements / Events

16 th February, 2004 (Monday)	HK	:	Hongkong.com (8006) – final results
17 th February, 2004 (Tuesday)	HK US	:	Century Sunshine Ecological Tech. (8276) – trading debut Industrial production – January Agilent Technologies – Q1 results Deere & Co – Q1 results
18 th February, 2004 (Wednesday)	HK US	:	Hang Lung Group (0010) – H1 results Hang Lung Properties (0101) – H1 results Legend Group (0992) – Q3 results Standard Chartered (2888) – final results Zhejiang Prospect (8273) – trading debut Housing starts – January Applied Materials – Q1 results
19 th February, 2004 (Thursday)	HK US	:	Beijing North Star (0588) – final results Index of leading indicators – January Producer price index – January Hewlett-Packard – Q1 results Qwest Communications International – Q4 results Target Corp – Q4 results Wal-Mart Stores – Q4 results
20 th February, 2004 (Friday)	HK US	:	Star Cruises (0678) – final results BYD (1211) – final results Consumer price index – January