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HONG KONG RESEARCH

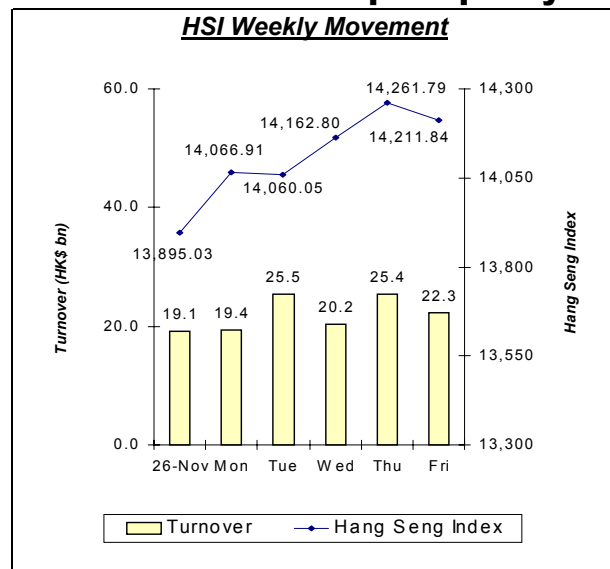
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Weekly Report

4th December 2004

Ample liquidity drove HSI to new high



<u>Weekly Market Statistics</u>				
Week ended	03/12/2004	26/11/2004	Change	%
Hang Seng Index	14,211.84	13,895.03	+316.81	+2.3%
HS Red Chip Index	1,563.91	1,500.14	+63.77	+4.3%
HS China Enterprises Index	4,896.66	4,934.39	-37.73	-0.8%
HS Composite Index	1,828.04	1,797.76	+30.28	+1.7%
HS HK Composite Index	1,937.58	1,834.04	+103.54	+5.6%
HS Mainland Composite Index	1,615.63	1,578.42	+37.21	+2.4%
S&P/HKEx GEM Index	1,007.12	1,026.28	-19.16	-1.9%
Avg Daily Turnover (HK\$ bn)	22.56	21.99	+0.57	+2.6%
Sectoral Indices				
Finance	28,387.29	27,893.13	+494.16	+1.8%
Utilities	30,639.75	30,663.99	-24.24	-0.1%
Properties	18,019.25	18,027.90	-8.65	-0.0%
Comm & Ind	6,042.38	5,810.66	+231.72	+4.0%

Review & Outlook of Market Performance

Hong Kong market reached a three and a half year high this week on the strength of telecom heavyweights China Mobile (0941) and China Unicom (0762). Despite the tightly filled IPO pipeline, e.g. the Link REIT, Air China, ZTE corporation... etc., turnover remained robust as overseas funds kept pouring into the market. HSI surged 316.81 points, or 2.30% w-o-w to close at 14,211.84. Average daily turnover increased to HK\$22.56 billion from HK\$21.99 billion last week.

Hang Lung Properties (0101) sold 335 million new shares, or about 10.00% of its shares outstanding at HK\$12.00 each (a discount of 6.25%) last Monday. Even though there were HK\$2.1 billion worth of old shares placed in September, this round of placement was also quickly snapped up and was over three times oversubscribed. The counter closed on Friday at HK\$12.05, or HK\$0.05 above its placement price. Other properties counters were relatively unaffected and the HSI properties sub-index closed virtually flat w-o-w.

China telecom sector was the bright spot of the market as traders expected that the heavily oversubscribed IPO of ZTE Corporation (0763) would push investors to place spill-over cash to other PRC telecom players. China Mobile (0941) and China Unicom (0762) recorded w-o-w gain of 7.20% and 5.88% respectively. The newly listed China Netcom (0906) also surged HK\$0.25, or 2.69% w-o-w to HK\$9.55 on heavy turnover.

Over the week, oil prices fell sharply to US\$44 level due to an increase of U.S. heating oil inventory. Oil heavyweights such as Sinopec (0386) and PetroChina (0857) both recorded loss of 2.31% w-o-w, thus bringing the HSCEI down 37.73 points, or 0.80% w-o-w to 4,896.66. HSCCI jumped 4.3% w-o-w to 1,563.91. China Merchants (0144) was the major contributor to its gain. The counter surged 9.58% w-o-w to close at HK\$13.15 on the news that it was in talk to invest RMB7 billion in Shanghai International Port (Group) Co. Ltd. to gain indirect access to the Yanshan Port project in Shanghai.

Looking forward, we see Hong Kong market to stay above the 14,000 level as buoyed by the ample liquidity and the recent positive sentiment. As the Link REIT will start public offering next week, market attention may shift back to property counters, particularly property investors with high dividend yields.

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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							
3rd December	10,592.21	2,147.96	11,074.89	2,061.58	917.17	663.84	5,893.27
26th November	10,522.23	2,101.97	10,833.75	2,028.43	908.78	648.75	5,778.65
Change	+69.98	+45.99	+241.14	+33.15	+8.39	+15.09	+114.62
%	+0.7%	+2.2%	+2.2%	+1.6%	+0.9%	+2.3%	+2.0%

Major Changes in Index Constituent Stocks (Week ended 3rd December 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @03/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants	0144	HK\$13.15	+HK\$1.15	+9.58%	The company was in talk to invest RMB7 billion in Shanghai International Port (Group) Co. Ltd. to gain indirect access to the Yanshan Port project in Shanghai
Hang Lung Properties	0101	HK\$12.05	-HK\$0.60	-4.74 %	The counter sold 335 million new shares, or about 10% of its shares outstanding, at HK\$12 each.

Hang Seng China Enterprises Index (HSCFI)

Stock	Stock Code	Closing Price @03/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Angang Newsteel	0347	HK\$4.025	+HK\$0.075	+1.90%	Shortage of steel has affected industrial production in other Asian countries such as Japan.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @03/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Mobile	0941	HK\$26.80	+HK\$1.80	+7.20%	Traders expected the heavily oversubscribed IPO of ZTE Corporation (0763) would push investors to place spill-over cash to other PRC telecom players.
China Unicom	0762	HK\$6.30	+HK\$0.35	+5.88%	



Summary of US Economic News

Indicator	Change/Index	Comments
3Q Preliminary GDP	+3.9%	The increase was higher than consensus (+3.7%). Major contributors were increased personal consumption, equipment and software, exports, government spending and residential fixed investment.
October Personal Income	+0.6%	The increase beat market forecast (+0.5%). Service producing industries' payroll recorded highest rate of growth.
Initial Jobless Claims – week ended 27 th November	+25k	The increase exceeded consensus (+7k). The 4-week moving average was 336,500, an increase of 4,250 from the previous week's revised average of 332,250.
October Factory Order	+0.5%	The increase was more than consensus (+0.3%). Shipment increased 1.2% to the highest level since 1992.
November Non-Farm Payroll	+112k	November's payroll gain was the weakest since July and well short of consensus (+200k). Furthermore, gains of previous two months were revised downward.
November Non-Manufacturing ISM	61.3	The number was higher than consensus (59.0) and reflected non-manufacturing business activities increased for 20 th consecutive month.

Forthcoming Important Announcements / Events

6 th November 2004 (Monday)	HK	:	Next Media Limited (0282) – Interim results Matsunichi Communications (0283) – Interim results
7 th November 2004 (Tuesday)	US	:	3Q Revised Productivity and Costs Redbook Retail Sales Index
8 th December 2004 (Wednesday)	HK	:	Oriental Press Group Limited (0018) – Interim results Fairwood Holdings Limited (0052) – Interim results Dickson Concepts (0113) – Interim results Café de Coral Holdings Limited (0341) – Interim results
9 th December 2004 (Thursday)	US	:	Initial Jobless Claims – the week ended 4 th December 2004 CIENA Corporation (CIEN) – Q4 results Costco Wholesale Corporation (COST) – Q1 results National Semiconductor (NSM) – Q2 results
10 th December 2004 (Friday)	HK US	:	Chevalier International (1025) – Interim results October Producer Price Index December Preliminary University of Michigan Sentiment