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**HONG KONG RESEARCH**

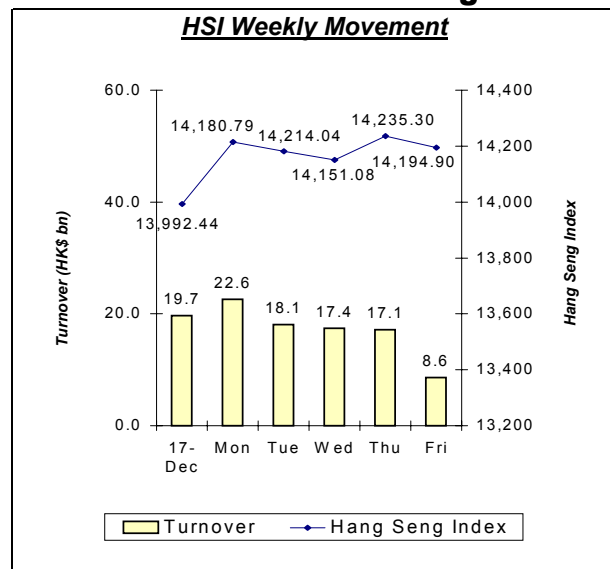
**Restricted circulation**

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**Weekly Report**

24<sup>th</sup> December 2004

### HSI range bounded ahead of X'mas



<b>Weekly Market Statistics</b>				
Week ended	24/12/2004	17/12/2004	Change	%
Hang Seng Index	14,194.90	13,992.44	+202.46	+1.4%
HS Red Chip Index	1,559.18	1,535.36	+23.82	+1.6%
HS China Enterprises Index	4,774.68	4,778.86	-4.18	-0.1%
HS Composite Index	1,824.29	1,800.39	+23.90	+1.3%
HS HK Composite Index	1,941.83	1,911.91	+29.92	+1.6%
HS Mainland Composite Index	1,594.32	1,583.21	+11.11	+0.7%
S&P/HKEx GEM Index	968.38	974.52	-6.14	-0.6%
Avg Daily Turnover (HK\$ bn)	16.78	20.26	-3.48	-17.2%
<b>Sectoral Indices</b>				
Finance	28,146.98	27,710.28	+436.70	+1.6%
Utilities	30,829.14	30,714.87	+114.27	+0.4%
Properties	18,096.96	17,693.63	+403.33	+2.3%
Comm & Ind	6,066.19	5,992.81	+73.38	+1.2%

### Review & Outlook of Market Performance

The Hong Kong stock market showed unexpected resilience this week, despite the pullout of listing of the Link REIT. Mild buying interests helped push the Hang Seng Index up 1.4% w-o-w to 14,194.90. Holiday mood emerged as we saw turnover softened and index moved in tight range after a jump on Monday, amid approaching the long Christmas weekend. Average daily turnover was down from HK\$20.26 billion to HK\$16.78 billion over the week, due to a half-day closure on Christmas Eve.

The Hong Kong Housing Authority (HKHA) decided last Sunday to shelve the listing of the Link REIT (2382) scheduled on Monday (20<sup>th</sup> December 2004) due to the threat of legal proceeding, after the Court of Final Appeal said it has no power to shorten the period (28 days) of logging appeal by a public housing estate tenant, Lo, who had filed a legal challenge to the IPO. Nonetheless, concerns about possible capital outflow after the collapse of the Link REIT was then removed, as interbank activities showed liquidity remained rich in Hong Kong and helped blue chips sustain from profit taking before the long holiday weekend. Properties counters showed another strong week, with Cheung Kong (0001) up 3.74% w-o-w at HK\$76.25, Henderson Land (0012) up 3.06% w-o-w at HK\$40.40 and Wharf 2.81% w-o-w higher at HK\$27.45. Port operators COSCO Pacific (1199) and China Merchants (0144) also stole the spotlight as the market remained bullish about the outlook of port business. The counters reaped 7.67% and 4.89% w-o-w respectively.

Macau plays were heavily traded amid President Hu's visit in the neighbouring SAR last Monday. Shun Tak Holdings (0242) rose 4.38% while Melco International (0200) jumped 12.14% over the week. A-Max (0959) rocketed as much as 84% amid the grand opening of its partially-owned Greek myth-styled casino last week, but surrendered most of the gain to rise only 22.47% w-o-w after huge profit taking.

Turnover is expected to be thin next week, as the trading week is shortened by Christmas holiday on Monday and a half-day closure on New Year Eve on Friday. Nonetheless, major indexes may move in wider range amid maturity of the December index futures. HSI support is seen near 14,100 with resistance near year-high at 14,300.

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### US & Regional Markets Weekly Update

(\*) Index closing as of 23<sup>rd</sup> December 2004; US stock markets close on 24<sup>th</sup> December 2004

Date	US Dow Jones*	US NASDAQ*	JAPAN Nikkei Avg	SINGAPORE STI	MALAYSIA KLSE Index	BANGKOK SET Index	TAIPEI Weighted Index
Week to 24th December	10,827.12	2,160.62	11,365.48	2,055.56	907.20	670.35	6,019.42
17th December	10,649.92	2,135.20	11,078.32	2,057.98	903.00	669.46	6,009.32
Change	+177.20	+25.42	+287.16	-2.42	+4.20	+0.89	+10.10
%	+1.7%	+1.2%	+2.6%	-0.1%	+0.5%	+0.1%	+0.2%

### Major Changes in Index Constituent Stocks (Week ended 24<sup>th</sup> December 2004)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @24/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Cheung Kong Holdings	0001	HK\$76.25	+HK\$2.75	+3.74%	Mainland media reported that CKH and Hutchison Whampoa (0013) plan to invest more than RMB1 billion in high-end property projects along Xiangjiang River in Hunan. Besides, they would also invest RMB695 million in a property project in Shenzhen
Swire Pacific	0019	HK\$64.25	+HK\$1.50	+2.39%	Its property arm will acquire a 20% stake in the PCCW Tower from a property fund that in November signed a provisional agreement with PCPD (0432) to buy the tower.
COSCO Pacific	1199	HK\$15.45	+HK\$1.10	+7.67%	The counter was the top HSI-gainer for the week, mainly boost by bullish outlook reports from investment houses.

#### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @24/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life	2628	HK\$5.40	-HK\$0.20	-3.57%	One of the strategic investors – Chow Tai Fook Enterprises – sold 107.09 million China Life shares at HK\$5.3 to HK\$5.4 each.

#### Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @24/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo	0992	HK\$2.475	+HK\$0.15	+6.45%	The counter mainly rebounded from recent sell-off. Share price of Lenovo began to slide since it reported a disappointing interim result in November.



## Summary of US Economic News

Indicator	Change/Index	Comments
Index of leading economic indicators – November	+0.2%	Conference Board said the index of leading indicators rose 0.2% in Nov after dipping 0.4% in Oct.
QDP – Q3 Final	+4.0%	QDP growth in Q3 was revised up from the previous 3.9% to 4.0%, due to a lower reading in the value of imports.
Personal income – November	+0.3%	Personal income rose 0.3% m-o-m in Nov, beating consensus forecast of a 0.2% rise. Personal spending rose 0.2%, slightly lagging market expectations.
Durable goods orders – November	+1.6%	The gain was the strongest in four months, after a rise of 1.9% in Jul 2004.
New home sales – November	-12%	New home sales fell 12% in Nov to an annual rate of 1.125 million units, the sharpest fall since Jan 1994.
University of Michigan consumer sentiment index – December	97.1	The final reading of the index was 97.1, up from 92.8 in Nov and a preliminary reading of 95.7, showing better confidence to spend.
Initial jobless claims – week ended 18 <sup>th</sup> December 2004	+17,000	First-time jobless claims totalled 333,000 in the week ended 18 <sup>th</sup> Dec, slightly higher than the consensus forecast of 330,000.

## Forthcoming Important Announcements / Events

27 <sup>th</sup> December 2004 (Monday)	HK	:	Public holiday after Christmas Day
28 <sup>th</sup> December 2004 (Tuesday)	HK	:	Emperor (China) (0296) – Interim results Emperor IHL (0163) – Interim results Grandtop International (2309) – Interim results New Century Group (0234) – Interim results Northern International (0736) – Interim results Sun Media Group (0307) – Interim results Wing Hong (Holdings) (0745) – Interim results Tack Fat Group (0928) – Interim results
	US	:	<b>Consumer confidence – December 2004</b>
29 <sup>th</sup> December 2004 (Wednesday)	HK	:	Goldwiz Holdings (0586) – Interim results Kamboat (0318) – Interim results Millennium Group (0260) – Final results Sino Union Petroleum & Chemical (0346) – Interim results
	US	:	Existing home sales – December 2004
30 <sup>th</sup> December 2004 (Thursday)	HK	:	A-Max (0959) – Interim results FU Ji Food and Catering Services (1175) – Interim results Rexcapital (0155) – Interim results
	US	:	Initial jobless claims – the week ended 25 <sup>th</sup> December 2004
31 <sup>st</sup> December 2004 (Friday)	HK	:	New Year Eve – SEHK half-day closure