

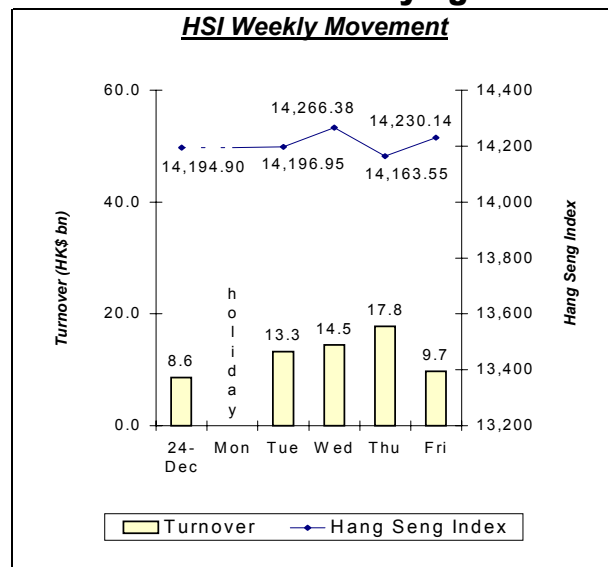
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**Weekly Report**31<sup>st</sup> December 2004**Selective buying in blue chips supported the market****Weekly Market Statistics**

Week ended	31/12/2004	24/12/2004	Change	%
Hang Seng Index	14,230.14	14,194.90	+35.24	+0.2%
HS Red Chip Index	1,556.88	1,559.18	-2.30	-0.1%
HS China Enterprises Index	4,741.32	4,774.68	-33.36	-0.7%
HS Composite Index	1,831.99	1,824.29	+7.70	+0.4%
HS HK Composite Index	1,954.11	1,941.83	+12.28	+0.6%
HS Mainland Composite Index	1,592.09	1,594.32	-2.23	-0.1%
S&P/HKEx GEM Index	988.60	968.38	+20.22	+2.1%
Avg Daily Turnover (HK\$ bn)	13.80	16.78	-2.98	-17.7%
<b>Sectoral Indices</b>				
Finance	28,237.74	28,146.98	+90.76	+0.3%
Utilities	30,773.43	30,829.14	-55.71	-0.2%
Properties	18,177.59	18,096.96	+80.63	+0.4%
Comm & Ind	6,076.78	6,066.19	+10.59	+0.2%

**Review & Outlook of Market Performance**

The Hong Kong stock market saw little impact following the destruction wrought by the tsunami in the Indian Ocean over the Christmas weekend. Selective buying in blue chip shares like Hutchison Whampoa and Cheung Kong supported the market. The HSI closed up 35.24 points, or 0.25% w-o-w, at 14,230.14. Average daily turnover was HK\$13.80 billion.

PCCW gained 1.55% w-o-w to HK\$4.925 after a government report showed that Bel-Air luxury apartment sales at Cyberport would generate a handsome profit. The shares were also snapped up on rumours that the company is close to completing the sale of a 20% stake to the parent of China Netcom. Meanwhile, China Netcom was buoyed by the rumours, rising 8.21% w-o-w to HK\$10.55. China Merchants Holdings surged 5.02% w-o-w to HK\$14.65 after announcing plans to buy a 30% stake in Shanghai's fastest growing container port. The acquisition is expected to strengthen the company's core port operation.

H-shares lagged with the HSCEI falling 0.70% w-o-w to 4,774.68. Yanzhou Coal Mining slid 4.31% w-o-w to HK\$11.1 as the company disappointed investors by offering a 640 million yuan loan to an obscure mainland company. China Life Insurance tumbled 3.70% w-o-w to HK\$5.2 after reports that the US SEC has formally lodged investigation re. its initial public offering. Bucked the downtrend was Beijing Yanhua Petrochemical, rising 7.30% w-o-w to HK\$3.675 on its parent Sinopec confirming plans to privatise the company for HK\$3.85 billion.

Smaller cap retailers outperformed on expectations of better sales towards the New Year holidays. Bossini International gained 7.78% w-o-w to HK\$1.94 while Moisse International jumped 8.57% w-o-w to HK\$2.85.

Trading activity should gradually pick up after the New Year holiday. The market seems able to recoup the upward momentum, with investors' attention focusing more on the positive news. Economic fundamentals remain healthy and recent Christmas sales figures look good. The HSI may re-test 14,300 in the coming week.

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### US & Regional Markets Weekly Update

(\*) Index closing as of 30<sup>th</sup> December 2004; previous week's closing date was 23<sup>rd</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							
31st December	10,800.30	2,178.34	11,488.76	2,066.14	907.43	668.10	6,139.69
24th December	10,827.12	2,160.62	11,365.48	2,055.56	907.20	670.35	6,019.42
Change	-26.82	+17.72	+123.28	+10.58	+0.23	-2.25	+120.27
%	-0.2%	+0.8%	+1.1%	+0.5%	+0.0%	-0.3%	+2.0%

(#) Index closing as of 30<sup>th</sup> December 2004; the 2 markets were closed on 31<sup>st</sup> December 2004

### Major Changes in Index Constituent Stocks (Week ended 31<sup>st</sup> December 2004)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @31/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings	0144	HK\$14.65	+HK\$0.7	+5.02%	The company announced plans to buy a 30% stake in Shanghai International Port Group, the investor in Shanghai's fastest growing Yangshan port.
Hutchison Whampoa	0013	HK\$72.75	+HK\$2	+2.83%	The shares extended recent gains on optimistic 3G business prospects.
PCCW	0008	HK\$4.925	+HK\$0.075	+1.55%	There are rumours that the company is close to completing the sale of a 20% stake to the parent of China Netcom.

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

Stock	Stock Code	Closing Price @31/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Yanzhou Coal Mining	1171	HK\$11.1	-HK\$0.5	-4.31%	The company disclosed that it made a 640 million yuan loan to an obscure mainland company.
China Life Insurance	2628	HK\$5.2	-HK\$0.2	-3.70%	The US SEC has formally lodged investigation on the initial public offering.
Beijing Yanhua Petrochemical	0325	HK\$3.675	+HK\$0.25	+7.30%	Its parent Sinopec confirmed plans to privatise the company for HK\$3.85 billion. Sinopec will pay HK\$3.8 per share for all outstanding shares of Beijing Yanhua.

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

Stock	Stock Code	Closing Price @31/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangdong Investment	0270	HK\$2.6	+HK\$0.375	+16.85%	Investors speculated on the growth potential of its water distribution business, as water consumption grow steadily in Hong Kong and significantly in Guangdong.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Consumer Confidence – December	102.3	Consumer confidence index jumped to 102.3 from 92.6 in November, as consumers' satisfaction with the economy and its prospects improved.
Existing Home Sales – November	6.94 million (+2.7% m-o-m)	Existing home sales rose unexpectedly to a record high in November as low mortgage rates fuelled home buying.
Initial Jobless Claims – 25 <sup>th</sup> December	326,000	Initial jobless claims unexpectedly fell by 5,000 last week, that bolstered hopes for faster job growth in 2005.

**Forthcoming Important Announcements / Events**

3 <sup>rd</sup> January 2005 (Monday)	US	:	Construction Spending – November ISM Manufacturing Index – December Walgreen Co. – Q1 results
4 <sup>th</sup> January 2005 (Tuesday)	US	:	Factory Orders – November Motor Vehicle Sales – December
5 <sup>th</sup> January 2005 (Wednesday)	US	:	ISM Non-Manufacturing Index – December Monsanto Co. – Q1 results Ruby Tuesday – Q2 results
6 <sup>th</sup> January 2005 (Thursday)	US	:	Initial Jobless Claims – 1 <sup>st</sup> January 2005
7 <sup>th</sup> January 2005 (Friday)	HK	:	<b>Retail Sales – November</b>
	US	:	Consumer Credit – November