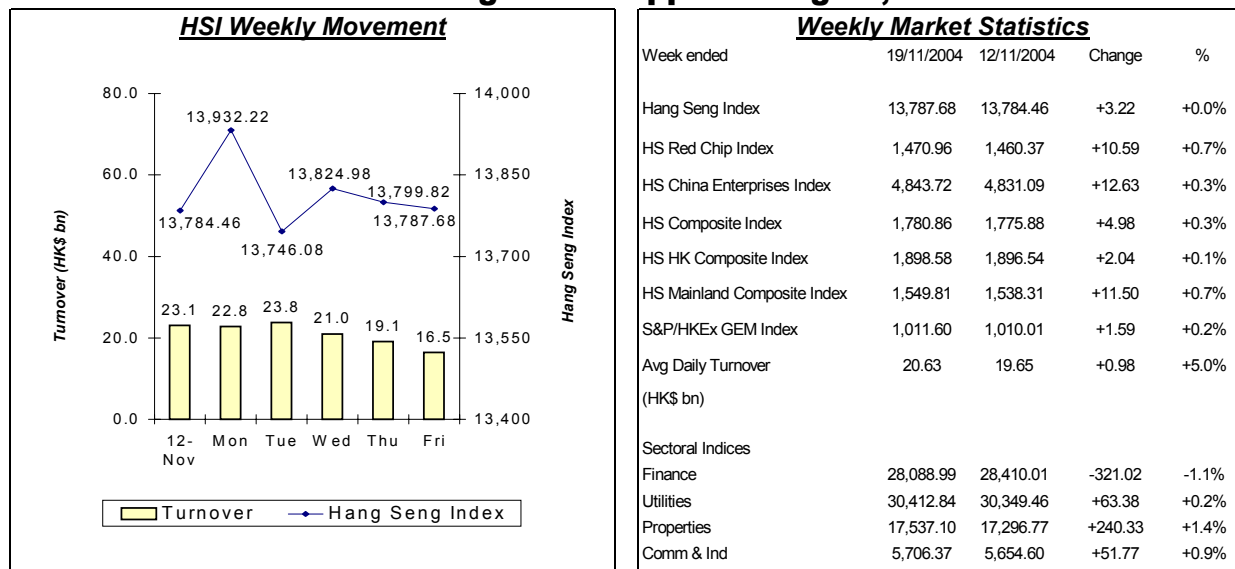


**Profit taking on HSI approaching 14,000**

**Review & Outlook of Market Performance**

The Hong Kong market was only 50 points away from the 14,000 psychological threshold when it rallied to an intra-session high of 13,950.94 last Monday. However, this rally lost steam and paused as HSBC (0005), the index heavyweight, came under selling pressure to close down HK\$2.00, or 1.49% w-o-w at HK\$132.50 after its U.S. subsidiary Household International announced a worse than expected third quarter results. The HSI closed virtually flat (up 3 points) for the week at 13,787.68. Average daily turnover increased to HK\$20.63 billion from HK\$19.65 billion last week.

Among the HSI components, shares of Lenovo (0992) were sold down following its announcement of a worse than expected first half results. The counter plunged 11.02% w-o-w to close at HK\$2.625. China Resources (0291) also underperformed the market and lost 2.21% w-o-w to a low of HK\$11.05 after reporting a 9.4% fall in its third quarter earnings. On the contrary, smaller property counters outperformed as they played catching-up with the property bellwethers. Wheelock (0011) and Hang Lung Properties (0101) gained 3.33% and 3.39% w-o-w respectively. Denway Motors (0203), which was also considered as a laggard, surged 4.46% w-o-w to HK\$2.925 on strong PRC retail sales figures.

During the week, statistics showed that fixed asset investment of China was still uncomfortably high. As investors worried another round of austerity measures approaching, HSCEI surrendered its earlier gains and closed up merely 12.63 points, or 0.26% w-o-w to 4843.72. Airlines were the market focus after China Southern Airlines (1055) announced an increase of its fleet size from 139 to 214 aircrafts that widely extend its network coverage. The counter surged 5.43% w-o-w to close at HK\$3.40. Furthermore, a stabilized oil price and the forthcoming IPO of Air China also fostered buying interests in the sector.

We see the market should consolidate around the current level as a tightly filled IPO pipeline, e.g. Link, Air China and ZTE Corporation...etc. might draw considerable cash away from the market. As the recent rally was liquidity driven, any pullback might be fast and deep. However, we still see good support around 13,500 level.

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**US & Regional Markets Weekly Update**

Date	US		JAPAN	SINGAPORE	MALAYSIA	BANGKOK	TAIPEI
	Dow Jones	Nasdaq	Nikkei Avg	STI	KLSE Index	SET Index	Weighted Index
Week to							
19th November	10,456.91	2,070.63	11,082.84	2,038.21	897.03	650.70	6,026.55
12th November	10,539.01	2,085.34	11,019.98	2,038.46	882.29	639.74	5,917.16
Change	-82.10	-14.71	62.86	-0.25	14.74	10.96	109.39
%	-0.78%	-0.71%	+0.57%	-0.01%	+1.67%	+1.71%	+1.85%

**Major Changes in Index Constituent Stocks (Week ended 19<sup>th</sup> November 2004)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @19/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motor	0203	HK\$2.925	+HK\$0.125	+4.46%	Strong retail sales and robust car sales figures in the PRC gave a strong boost to its share price. The counter was widely considered as a laggard in the recent rally.
Lenovo Group	0992	HK\$2.625	-HK\$0.325	-11.02%	The counter reported weaker than expected first half results and got downgraded by major brokerage houses.

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

Stock	Stock Code	Closing Price @19/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$3.525	+HK\$0.375	+11.90%	Gold prices hit a 16-year high on a tumbling USD. Commodities related counters were viewed as hedges against the weakening USD.
China Southern Airlines	1055	HK\$3.40	+HK\$0.175	+5.43%	China Southern announced that its fleet size would rise to 214 aircraft from 139 which would greatly extend its network coverage in the future.

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

Stock	Stock Code	Closing Price @19/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Guangdong Investment	0270	HK\$1.73	+HK\$0.19	+10.98%	Market expected that the recent drought in the Guangdong province would benefit the water supply business, its major source of revenue.



**Summary of US Economic News**

Indicator	Change/Index	Comments
Producer Price Index – October	+1.7%	The figure was higher than the consensus (+0.6%) and was the sharpest monthly rise since January 1990 due to a 17.3% advance of gasoline prices.
Consumer Price Index – October	+0.6%	Rising energy and food prices drove the rise. Medical care prices accelerated after slowing earlier in the year and apparel prices rose for the first time since June.
Housing Starts – October	+6.4%	Privately owned housing starts in October were at a seasonally adjusted annual rate of 2,027,000. This was 6.4% above the revised September figure and was 2.2% above the October figure of 2003.
Industrial Production – October	+0.7%	The figure was above the consensus estimate (+0.4%). Gains were posted in all major categories, most notably home electronics and automotive products.
Initial Jobless Claims – Week ended 13 <sup>th</sup> November	-3k	The decline was more than market consensus (-1k). The 4-week moving average was 338,250, still an increase of 1,000 from the previous week's revised average of 337,250.
Leading Economic Indicators	-0.3%	The decline was steeper than the 0.1% decline predicted by economists and was the fifth straight monthly decline.

**Forthcoming Important Announcements / Events**

22 <sup>nd</sup> November 2004 (Monday)	HK : US :	Prime Investment Holdings (0721) – Final results Brocade Communications Systems (BRCD) – Q4 results
23 <sup>rd</sup> November 2004 (Tuesday)	HK : US :	<b>Digital China Holdings (0861) – Interim results</b> City Telecom (H.K.) Limited (1137) – Final results Red Book Retail Sales Index Existing Home Sales – October Deere & Company (DE) – Q4 results H.J. Heinz Company (HNZ) – Q2 results
24 <sup>th</sup> November 2004 (Wednesday)	HK : US :	Pokfulam Development Co. Ltd. (0225) – Final results <b>Tingyi (Cayman Islands) Holding Corp. (0322) – Q3 results</b> Ming Pao Enterprise Corp. Limited (0685) – Interim results Initial Jobless Claims – for the week ended 20 <sup>th</sup> November <b>Durable Goods – October</b> Univ. of Michigan Sentiment – November <b>New Home Sales – October</b>
25 <sup>th</sup> November 2004 (Thursday)	HK :	Sincere (0244) – Interim results Yip's Chemical Holdings Limited (0408) – Interim results Baltrans Holdings Limited (0562) – Final results
26 <sup>th</sup> November 2004 (Friday)	HK :	Le Saunda Holdings Limited (0738) – Interim results Karrie International Holdings Limited (1050) – Interim results