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HONG KONG RESEARCH

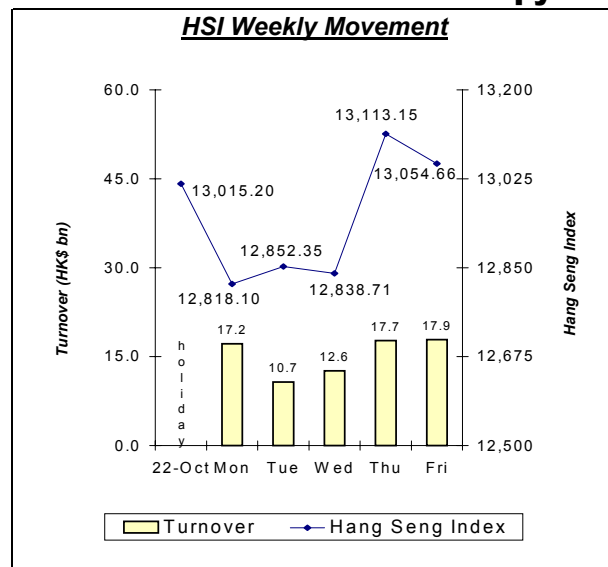
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Weekly Report

30th October 2004

Bumpy markets ahead



Weekly Market Statistics				
Week ended	29/10/2004	21/10/2004	Change	%
Hang Seng Index	13,054.66	13,015.20	+39.46	+0.3%
HS Red Chip Index	1,380.97	1,399.05	-18.08	-1.3%
HS China Enterprises Index	4,504.78	4,492.91	+11.87	+0.3%
HS Composite Index	1,677.24	1,670.57	+6.67	+0.4%
HS HK Composite Index	1,793.75	1,780.31	+13.44	+0.8%
HS Mainland Composite Index	1,447.31	1,455.33	-8.02	-0.6%
S&P/HKEx GEM Index	989.60	992.19	-2.59	-0.3%
Avg Daily Turnover (HK\$ bn)	15.21	12.95	+2.26	+17.5%
Sectoral Indices				
Finance	26,785.65	26,670.40	+115.25	+0.4%
Utilities	29,940.74	29,748.27	+192.47	+0.6%
Properties	16,144.76	16,056.89	+87.87	+0.5%
Comm & Ind	5,370.47	5,369.47	+1.00	+0.0%

Review & Outlook of Market Performance

Hong Kong market was volatile and the HSI closed virtually unchanged, up 0.3% w-o-w at 13,054.66. Average daily turnover for the week was HK\$15.21 billion versus last week's HK\$12.95 billion.

Oil prices tumbled about US\$5 to US\$51 level over the week. The drop was the sharpest since June as data released by the United States Energy Department showed a larger than expected inventories. Airlines such as Cathay Pacific (0293), China Eastern Airlines (0670) and China Southern Airlines (1055) got a strong boost by the news and bounced back sharply from their recent low.

Hong Kong government, in a number of occasions during the week, reiterated that more land would be available for development in order to allay fears of a property bubble and looming housing shortages. On top of the 99 hectares of land that was ready for sale, there would be additional 295 hectares of land available over the next 5 years. The news gave strong support to properties counters that were previously under heavy selling pressure. Hang Seng Properties Sub-index edged up 0.5% for the week.

China unexpectedly raised its one-year lending and deposit rates by 0.27% to 5.58% and 2.25% respectively after market closed on Thursday. The move caught investors by surprise and many saw this hike as the start of its tightening cycle. H-shares gave back their earlier gains on Friday. Mainland insurance counters bucked the trend to become safe haven for funds as their investment income, about half of which deposited with banks, are expected to increase. PICC P&C (2328), Ping An (2318) and China Life (2628) all traded up from 0.9% to 4.7% after the rate hike announcement. HSCEI gained 11.87 points, or 0.3% w-o-w to 4,504.78 while HSCCI recorded a weekly loss of 1.3% to 1,380.97.

Looking ahead, market attention should be focused on the U.S. presidential election on 2nd November. As votes for the two candidates are expected to be close, equities markets worldwide would be quite volatile. We see the HSI to hover around 13,000 level before outcome of the election is finalised.

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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 29 th October	10,027.47	1,974.99	10,771.42	1,980.69	861.14	628.16	5,705.93
22 nd October	9,757.81	1,915.14	10,857.13	1,967.07	853.88	659.05	5,774.67
Change %	269.66 +2.76%	59.85 +3.13%	-85.71 -0.79%	13.62 +0.69%	7.26 +0.85%	-30.89 -4.69%	-68.74 -1.19%

Major Changes in Index Constituent Stocks (Week ended 29th October 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @29/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$41.60	+HK\$1.30	+3.23%	Considered as a major beneficiary on strong Euro.
Lenovo	0992	HK\$2.80	+HK\$0.10	+3.70%	According to data tracking firm International Data Corp. (IDC), the company's share in Asian PC market was up from 12.90% (Q3 2003) to 13.10% (Q3 2004).

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
PICC P&C	2328	HK\$2.80	+HK\$0.15	+5.66%	Major beneficiary of the 0.27% increase in both lending rate and deposit rate in China. The rate hike is the first time in 9 years.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @29/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Travel	0308	HK\$2.05	+HK\$0.12	+6.22%	Share price rose after the firm bought back one million shares on 25 th October at HK\$1.91 per share.



Summary of US Economic News

Indicator	Change/Index	Comments
Existing Home Sales – September	+3.1%	The increase was mainly attributable to the steady decline in mortgage interest rates since June.
Durable Goods Orders – September	+0.2%	Computers and electronic products had the largest increase due to the increase in communication equipment.
New Home Sales – September	+3.5%	The seasonally adjusted estimate of new houses for sale at the end of September was 404,000 that represented a supply of 4.1 months at the current sales rate.
Initial Jobless Claims – week ended 23 rd October	+20k	The number was higher than the consensus (+7k) and that of the previous week (-24k).
Advanced GDP – 3 rd Quarter	+3.7%	The figure was below consensus (+4.3%). Downturn in private inventory investment and deceleration in residential fixed investment offset increase in personal consumption expenditure.
Final U of Michigan Sentiment – October	91.7	It was the first time the index stayed above 90 for a twelfth consecutive month since the 911 incident.

Forthcoming Important Announcements / Events

1 st November 2004 (Monday)	US	:	Personal Income – September Personal Spending – September Manufacturing ISM Index – October Construction Spending – September Tyco International (TYC) – Q4 results
2 nd November 2004 (Tuesday)	HK US	:	PCCW (0008) – Interim results Pacific Century Premium Dev. (0432) – Interim results Presidential Election Redbook Retail Sales Index Priceline.com (PCLN) – Q3 results Prudential Financial (PRU) – Q3 results
3 rd November 2004 (Wednesday)	US	:	Factory Orders – September Non-manufacturing ISM – October Cigna (CI) – Q3 results Nanogen (NGEN) – Q3 results Qualcomm (QCOM) – Q4 results Interpublic Group of Companies (IPG) – Q3 results Time Warner (TWX) – Q3 results
4 th November 2004 (Thursday)	US	:	Initial Jobless Claims – Week ended 30 th October Preliminary Productivity – Q3 Nvidia Corp. (NVDA) – Q3 results Manulife Financial Corporation (MFC) – Q3 results Credit Suisse Group (CSR) – Q3 results
5 th November 2004 (Friday)	HK US	:	Manulife Financial Corporation (0945) – Q3 results Unemployment rate – October Non-farm payrolls – October Consumer Credit – October Berkshire Hathaway (BRKA) – Q3 results