

**BEA securities**

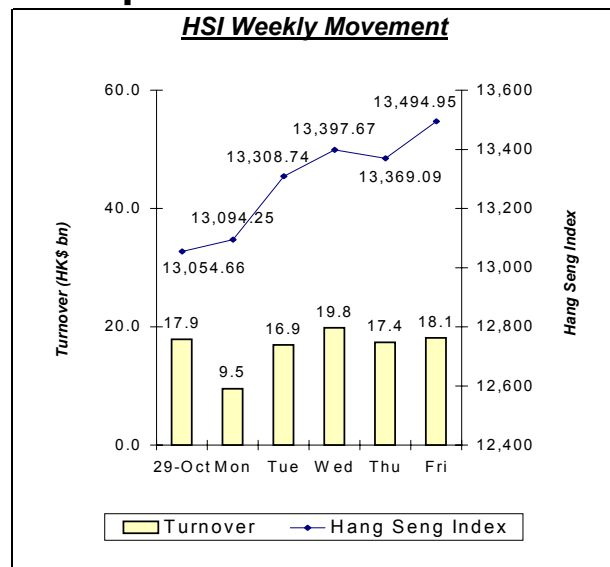
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**Weekly Report**6<sup>th</sup> November 2004**Improved Sentiment on Bush winning the US Presidential Election**

<b>Weekly Market Statistics</b>				
Week ended	5/11/2004	29/10/2004	Change	%
Hang Seng Index	13,494.95	13,054.66	+440.29	+3.4%
HS Red Chip Index	1,426.47	1,380.97	+45.50	+3.3%
HS China Enterprises Index	4,642.24	4,504.78	+137.46	+3.1%
HS Composite Index	1,736.42	1,677.24	+59.18	+3.5%
HS HK Composite Index	1,858.25	1,793.75	+64.50	+3.6%
HS Mainland Composite Index	1,495.71	1,447.31	+48.40	+3.3%
S&P/HKEx GEM Index	992.85	989.60	+3.25	+0.3%
Avg Daily Turnover (HK\$ bn)	16.36	15.21	+1.14	+7.5%
<b>Sectoral Indices</b>				
Finance	27,690.40	26,785.65	+904.75	+3.4%
Utilities	30,585.63	29,940.74	+644.89	+2.2%
Properties	16,812.34	16,144.76	+667.58	+4.1%
Comm & Ind	5,549.92	5,370.47	+179.45	+3.3%

**Review & Outlook of Market Performance**

The Hang Seng Index jumped 3.4% or 440 points w-o-w to close at 13,494.95 on improved fundamentals and Bush winning the US presidential election. During the week, Hong Kong Monetary Authority (HKMA) revealed that negative equity mortgage dropped sharply during the past year. On Friday, bellwether HSBC Holdings (0005) hit its all-time high of HK\$131.0 before it closed at HK\$130.5. Besides, lower crude oil prices also helped boost the local equity market.

Joseph Yam of HKMA revealed on Monday that the number of negative equity mortgages dropped from a high of some 106,000 in June 2003 to just 25,375 at the end of September 2004 on rising property prices. Yam also revealed that the aggregate value of negative equity residential mortgage loans fell by 73% to HK\$43 billion at the end of September 2004 from HK\$160 billion a year earlier.

PCCW (0008) reported a rise of 47.5% y-o-y in net profit to HK\$1.018 billion for the first nine months this year from HK\$690 million in a year earlier, thanks to strong sales at Residence Bel-Air. The carrier also declared an interim dividend of HK\$5.5 per share – the first dividend payout since the merger with Cable & Wireless HKT. Nevertheless, the counter still underperformed the market with a gain of 1.06% w-o-w and closed at HK\$4.775.

HSCEI rose 3.1% w-o-w to 4,642.24, as China plays took advantage of the general buying interests.

Beside the HKMA report and lower oil prices, the rally during the week could attribute to the renewed inflow of overseas fund, thanks to good earning prospects as well as the cheap US dollar. We expect this liquidity-driven buying momentum to persist for a while, as dollar remains on the weak side. Meanwhile, the US FOMC will meet next Wednesday and it is widely expected that there will be another 25bps rate hike. But banks in Hong Kong have voiced that they may not follow the US rate hike due to extremely strong liquidity. We expect another week of rising market and see initial resistance of the HSI at around 13,650 level.

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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 6th November	10,387.54	2,038.94	11,061.77	2,015.77	871.48	635.09	5,931.31
29th October	10,027.47	1,974.99	10,771.42	1,980.69	861.14	628.16	5,705.93
Change	+360.07	+63.95	+290.35	+35.08	+10.34	+6.93	+225.38
%	+3.6%	+3.2%	+2.7%	+1.8%	+1.2%	+1.1%	+3.9%

**Major Changes in Index Constituent Stocks (Week ended 5<sup>th</sup> November 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @5/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Johnson Electric Holdings	0179	HK\$7.95	+HK\$0.20	+2.58%	The world's largest mini-motor maker said it would buy 51% stake in a compact ceramic servo motor maker in Israel for an undisclosed amount.
Esprit Holdings	0330	HK\$45.10	+HK\$3.50	+8.41%	Esprit revealed that its sales jumped more than 20% for the first quarter ended September, due to continued growth in retail operations. Esprit also revealed that European wholesale order booking to March 2005 posted a double-digit percentage growth.

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

Stock	Stock Code	Closing Price @5/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec	0386	HK\$3.10	HK\$0.15	+5.08%	Sinopec will acquire petrochemical plant, gas stations and other assets from its parent Sinopec Group for RMB4.58 billion and sell loss-making oilfield services businesses to its parent for RMB1.75 billion. The market perceived that the deal should help boost Sinopec's net profit by about RMB1.6 billion-RMB 1.8 billion each year.

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

Stock	Stock Code	Closing Price @5/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$4.15	+HK\$0.15	+3.75%	The offshore oil producer received official approval from Beijing to build four liquefied natural gas (LNG) terminals in Guangdong, Fujian, Shanghai and Zhejiang.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Personal income – September	+0.2%	US personal income rose 0.2% m-o-m in September, lower than market expectation of a rise of 0.3%. Besides, figures showed that US personal spending rose 0.6% in September after a 0.1 drop in August, in line with consensus forecast.
Construction spending – September	+0.0%	US construction spending was flat in September compared with an expected 0.5% growth, mainly due to a fall in residential construction.
ISM manufacturing index – October	56.8	ISM index fell to 56.8 in October from 58.5 in September, below expectations of a rise to 59.0. It showed that the US manufacturing sector was still expanding but at a slower pace.
ISM non-manufacturing index – October	59.8	ISM non-manufacturing index rose to 59.8 against forecast of 58.0, showing the service sector grew stronger than expected.
Productivity – Q3	+1.9%	Non-farm productivity rose 1.9% in Q3 after 3.9% in Q2, the lowest since Q4 2002.
Initial jobless claims – week ended 30 <sup>th</sup> October 2004	332,000	Initial jobless claims totalled 332,000 in the week ended 30/10/04, down from 351,000 in the previous.
Non-farm payrolls – October	+337,000	US added 337,000 new jobs in payrolls in October, much higher than the expected addition of 169,000.
Jobless rate – October	5.5%	Jobless rate inched up to 5.5% in October from 5.4% in September, mainly due to a larger workforce in the US.

**Forthcoming Important Announcements / Events**

8 <sup>th</sup> November 2004 (Monday)	HK	:	Retail sales – September <b>HSBC Holdings (0005) – Q3 dividend</b> <b>Hang Seng Bank (0011) – Q3 dividend</b>
9 <sup>th</sup> November 2004 (Tuesday)	HK US	:	Cross-Harbour (Holdings) – Q3 dividend <b>Cisco Systems, Inc. – Q1 results</b>
10 <sup>th</sup> November 2004 (Wednesday)	HK  US	:	<b>Hong Kong Exchanges and Clearing (0388) – Q3 results</b> IDT International (0167) – H1 results Star Cruises (0678) – Q3 results <b>FOMC meeting</b> International trade – September Initial jobless claims – the week ended 6 <sup>th</sup> November Starbucks Corp. – Final results
11 <sup>th</sup> November 2004 (Thursday)	HK  US	:	Zhengzhou Gas (8099) – Q3 results Wheelock Properties (0049) – H2 results (formerly known as New Asia Realty) Sunevision (8008) – Q1 results Veterans' Day holiday Alcan Inc – Q3 results
12 <sup>th</sup> November 2004 (Friday)	HK  US	:	Lai Sun Development (0488) – Final results Joyce Boutique (0647) – H1 results Panva Gas (8132) – Q3 results Retail sales – October FOMC minutes - September