

**BEA** securities

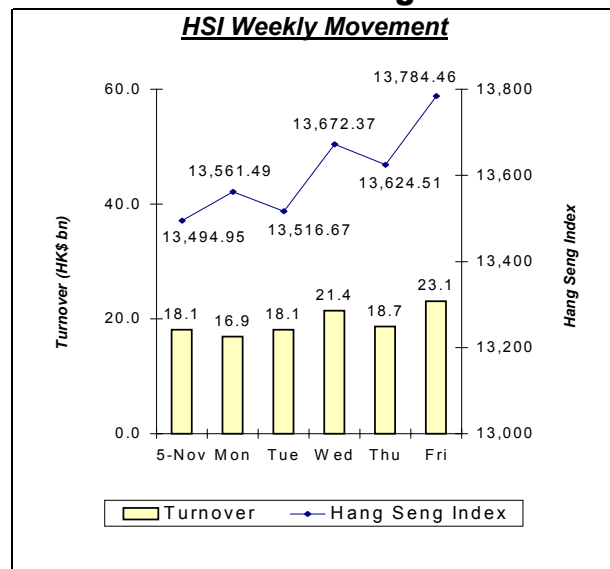
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**Weekly Report**13<sup>th</sup> November 2004**Strong inflow of funds pushed the rally**

<b>Weekly Market Statistics</b>				
Week ended	12/11/2004	5/11/2004	Change	%
Hang Seng Index	13,784.46	13,494.95	+289.51	+2.1%
HS Red Chip Index	1,460.37	1,426.47	+33.90	+2.4%
HS China Enterprises Index	4,831.09	4,642.24	+188.85	+4.1%
HS Composite Index	1,775.88	1,736.42	+39.46	+2.3%
HS HK Composite Index	1,896.54	1,858.25	+38.29	+2.1%
HS Mainland Composite Index	1,538.31	1,495.71	+42.60	+2.8%
S&P/HKEx GEM Index	1,010.01	992.85	+17.16	+1.7%
Avg Daily Turnover (HK\$ bn)	19.65	16.36	+3.30	+20.2%
<b>Sectoral Indices</b>				
Finance	28,410.01	27,690.40	+719.61	+2.6%
Utilities	30,349.46	30,585.63	-236.17	-0.8%
Properties	17,296.77	16,812.34	+484.43	+2.9%
Comm & Ind	5,654.60	5,549.92	+104.68	+1.9%

**Review & Outlook of Market Performance**

Local shares rose with players snapping up large caps and China plays on strong inflow of funds and weakness in the US dollars. Further declines in oil prices also spurred buying. The HSI closed up 289.51 points, or 2.15% w-o-w, at 13,784.46. Trading was active over the week with average daily turnover reaching HK\$19.65 billion.

Index heavyweight HSBC and conglomerate Swire Pacific helped buoy the blue-chip index. HSBC reached its new high of HK\$134.5, up 3.07% w-o-w, while Swire Pacific rose 5.58% w-o-w to HK\$61.5. Property shares also gained some ground, with the HS properties sub-index up 2.88% over the week. Henderson Land Development was the top large cap property gainer, rising 4.47% w-o-w to HK\$39.7.

China-related shares shined amid ongoing speculation about a revaluation of the yuan and a slowdown in industrial production in the mainland. The shares were also boosted by a rally in A-shares on reports that Beijing was quickening efforts to lure corporate pension funds into the stock market. The HSCEI finished up 4.07% w-o-w, or 188.85 points, at 4,831.09. Airlines, insurance firms as well as steel and metal companies outperformed.

Chinese carmakers also fared better after German carmaker BMW AG reported an 11% rise in the mainland sales for the year to October. Denway Motors rose 3.7% w-o-w to HK\$2.8 and Brilliant China Automotive rose 2.41% w-o-w to HK\$1.7. Other movers included China Telecom, rising 7.69% w-o-w to HK\$2.8 on investors' enthusiasm for the initial public offering for China Netcom next week.

Elsewhere, smaller cap fashion retailers surged on an improved outlook in retail sales and earnings this year amid rising tourist arrivals. The retail sales grew 7.8% in September from a year earlier. Giordano International added 3.45% w-o-w to HK\$4.5, while Bossini International edged up 4.67% w-o-w to HK\$1.57.

The US Federal Reserve raised its benchmark interest rate by another 25 bps to 2%, while major local lenders did not follow suit as the banking system is flushed with liquidity. With continued inflow of funds and weakness in the US dollars, the HSI is expected to stay relatively firm at the current level and China-related counters would continue to see buying interest.

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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 12th November	10,539.01	2,085.34	11,019.98	2,038.46	882.29	639.74	5,917.16
5th November	10,387.54	2,038.94	11,061.77	2,015.77	871.48	635.09	5,931.31
Change	+151.47	+46.40	-41.79	+22.69	+10.81	+4.65	-14.15
%	+1.5%	+2.3%	-0.4%	+1.1%	+1.2%	+0.7%	-0.2%

## Major Changes in Index Constituent Stocks (Week ended 12<sup>th</sup> November 2004)

### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @12/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
HSBC	0005	HK\$134.5	+HK\$4	+3.07%	The shares rose in the wake of currency gains from the recent strength of euros.
Esprit	0330	HK\$43	-HK\$2.1	-4.66%	Investors reacted to news that the company's chairman Michael Ying Lee-yuen placed 97.27 million existing shares to reduce his stake from 30.83% to 22.68%.

### Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @12/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Life Insurance	2628	HK\$5.7	+HK\$0.5	+9.62%	The shares gained amid expectations that life insurers would benefit from a rising interest rate environment.
Ping An Insurance	2318	HK\$13.15	+HK\$1	+8.23%	
China Southern Airlines	1055	HK\$3.225	+HK\$0.475	+17.27%	Airlines were strong following a significant drop in oil prices over the week.
China Eastern Airlines	0670	HK\$1.64	+HK\$0.13	+8.61%	
China Telecom	0728	HK\$2.8	+HK\$0.2	+7.69%	Investors' enthusiasm for the initial public offering of China Netcom helped underpin the stock.

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

Stock	Stock Code	Closing Price @12/11/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motor	0203	HK\$2.8	+HK\$0.1	+3.70%	Chinese carmakers received a boost after German carmaker BMW AG reported an 11% rise in the mainland sales for the year to October.
Brilliance China	1114	HK\$1.7	+HK\$0.04	+2.41%	

Indicator	Change/Index	Comments
Wholesale Trade – September	+0.5%	Wholesale inventories rose a less-than-expected 0.5% in September as stocks of automotive goods declined.
FOMC meeting announcement – Federal Fund Rates	+25 bps	The Fed raised its benchmark interest rate to 2% from 1.75%, the 4 <sup>th</sup> hike this year, in a move that was widely expected.
International Trade – September	US\$51.6 billion deficit	The US trade deficit narrowed to US\$51.6 billion in September, smaller than projected, as the value of oil imports declined.
Initial Jobless Claims – 6 <sup>th</sup> November	333,000	Initial claims for unemployment rose by 2,000 last week, below estimates of 340,000.
Business Inventories – September	+0.1%	Business inventories barely rose in September as retailers emptied their stocks at a rapid pace.
Retail Sales – October	+0.2%	Retail sales rose modestly in October, led by clothing purchases. Excluding autos, sales rose 0.9% last month compared with a 0.8% gain in September.
Consumer Sentiment – November	95.5	Consumer sentiment climbed to 95.5 from 91.7 in October on improving job prospects.

15 <sup>th</sup> November 2004 (Monday)	HK US	: : : : : : :	Norstar Founders Group (2339) – Interim results NY Empire State Index – November Dillard's Inc. – Q3 results Lowe's Companies Inc. – Q3 results Medtronic Inc. – Q2 results Nortel Networks Corp. – Q3 results Novell Inc. – Q4 results
16 <sup>th</sup> November 2004 (Tuesday)	HK US	: : : : : : : :	Lenovo Group (0992) – Interim results Producer Price Index – October Treasury International Capital – September Hewlett-Packard Co. – Q4 results Home Depot Inc. – Q3 results Staples Inc. – Q3 results TJX Companies Inc. – Q3 results Wal-Mart Stores Inc. – Q3 results
17 <sup>th</sup> November 2004 (Wednesday)	HK US	: : : : : : :	China Netcom Group Corp Hong Kong (0906) – Trading debut Mirabell International Holdings (1179) – Interim results Consumer Price Index – October Housing Starts – October Industrial Production – October Applied Materials Inc. – Q4 results Intuit Inc. – Q1 results
18 <sup>th</sup> November 2004 (Thursday)	HK US	: : : : : : :	Unemployment Rate – October ZZNode Holdings Company (2371) – Trading debut Initial Jobless Claim – 13 <sup>th</sup> November Leading Indicators – October Philadelphia Fed Survey – November Gap Inc. – Q3 results Limited Brands Inc. – Q3 results Walt Disney Co. – Q4 results
19 <sup>th</sup> November 2004 (Friday)	HK	: :	Le Saunda (0738) – Interim results