

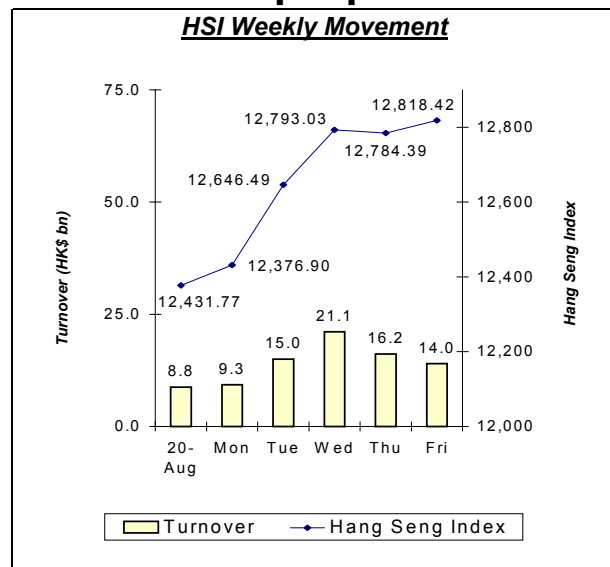
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report28th August 2004**A better prospect of economic outlook pushed HSI higher ...**

<u>Weekly Market Statistics</u>				
Week ended	27/08/2004	20/08/2004	Change	%
Hang Seng Index	12,818.42	12,376.90	+441.52	+3.6%
HS Red Chip Index	1,346.80	1,297.53	+49.27	+3.8%
HS China Enterprises Index	4,235.37	4,131.62	+103.75	+2.5%
HS Composite Index	1,629.88	1,576.14	+53.74	+3.4%
HS HK Composite Index	1,751.60	1,692.75	+58.85	+3.5%
HS Mainland Composite Index	1,387.25	1,344.02	+43.23	+3.2%
S&P/HKEx GEM Index	1,004.17	1,018.24	-14.07	-1.4%
Avg Daily Turnover (HK\$ bn)	15.12	9.12	+5.99	+65.7%
Sectoral Indices				
Finance	25,999.15	25,225.27	+773.88	+3.1%
Utilities	29,087.74	28,702.79	+384.95	+1.3%
Properties	16,422.23	15,560.25	+861.98	+5.5%
Comm & Ind	5,293.81	5,094.30	+199.51	+3.9%

Review & Outlook of Market Performance

The combination of stabilising oil prices and elimination of deflation pushed Hong Kong blue-chip shares higher, with property and banking counters leading the gains. The HSI rose 441.52 points, or 3.6% w-o-w, to close at 12,818.42. Average daily turnover increased to HK\$15.12 billion over the week.

The HS properties sub-index hit its highest level since April to close at 16,422.23, up 5.5% w-o-w. Cheung Kong rose 7.3% w-o-w to HK\$66.5, boosted by positive results from Hutchison Whampoa and strong home sales at its Caribbean Coast Phase III. Other property stocks like SHKP, Hang Lung Properties and Wheelock all rose some 5% during the week. Conglomerate Hutchison Whampoa continued its strength from last week to close at HK\$61, up 5.2% w-o-w, after its retail and manufacturing division, AS Watson, had exercised its right to purchase a 40% stake in a German health and beauty retail chain.

The improving prospects for the property market also lifted sentiment for the banking sector. HSBC rose 3.0% w-o-w to HK\$121.5, while Hang Seng Bank was up 2.5% w-o-w to HK\$104 and Bank of East Asia was up 4.6% w-o-w to HK\$21.55. Bucking the upward trend was Television Broadcast, which fell 1.6% w-o-w to HK\$31 after its unlisted smaller rival ATV said it would sell a stake to a state-backed firm for 200 million yuan.

Rotational interest supported China-related shares with Anhui Conch Cement and China Shipping Development rising 9.3% w-o-w to HK\$9.4 and 9.1% w-o-w to HK\$5.4 respectively. China Merchants rose 2.7% w-o-w to HK\$11.5 as it would record a gain of HK\$195 million from selling its oil tanker business to its parent. Shanghai Industrial rose 7.1% w-o-w to HK\$14.3 as the stock drew bargain hunting after losing 23% this year. On the negative front, PICC Property and Casualty tumbled 10.2% w-o-w to HK\$2.425 as analysts slashed profit forecasts for the Company, citing lower investment income and higher auto policy claims. Over the week, the HSCEI advanced 2.5% while the HSCCI edged up 3.2%.

The government raised the GDP forecast for 2004 to 7.5% after reporting a 12.1% growth in Q2 GDP from the previous year. The data should have positive impact on the market next week. However, cautious tradings are expected ahead of results announcements from some major Chinese companies. The benchmark index may test higher at 13,000 but should lack the momentum unless oil prices ease further.

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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 27th August	10,195.01	1,862.09	11,209.59	1,915.90	821.49	620.56	5,797.71
20th August	10,110.14	1,838.02	10,889.14	1,894.93	808.47	598.55	5,622.86
Change	+84.87	+24.07	+320.45	+20.97	+13.02	+22.01	+174.85
%	+0.8%	+1.3%	+2.9%	+1.1%	+1.6%	+3.7%	+3.1%

Major Changes in Index Constituent Stocks (Week ended 27th August 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @27/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Hutchison Whampoa	0013	HK\$61	+HK\$3	+5.2%	Its retail and manufacturing division, AS Watson, had exercised its right to purchase a 40% stake in a German health and beauty retail chain.
Television Broadcast	0551	HK\$31	-HK\$0.5	-1.6%	The share fell after its unlisted smaller rival ATV said it would sell a stake to a state-backed firm for 200 million yuan.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @27/08/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	1138	HK\$5.4	+HK\$0.45	+9.1%	The share rose after its sister company China Shipping Container Lines reported strong interim earnings helped by higher freight rates.
PICC Property and Casualty	2628	HK\$2.425	-HK\$0.275	-10.2%	The share tumbled as analysts slashed profit forecasts for the Company, citing lower investment income and higher auto policy claims.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing Home Sales – July	6.72 million units (-2.9%)	An annual rate of 6.72 million units of existing home sales in July was below consensus forecast of 6.81 million units. However, it remained at the 3 rd highest level on record.
New Home Sales – July	1.134 million units (-6.4%)	New home sales of an annual rate of 1.134 million units in July was below expectations of a milder fall to 1.29 million units.
Durable Orders – June	+1.7% m-o-m	New orders for durable goods in July rose 1.7% from June, beating market expectations of a 1.0% growth. Besides, the growth was also the highest since March.
Initial Claims – week ended 21 st August 2004	343,000	Initial jobless claims rose 10,000 to 343,000 in the week ended Aug 21, higher than consensus forecast of 335,000. However, the Labour Department claimed that half of the rise was due to hurricane hit in Florida.



GDP Preliminary – Q2	2.8%	GDP grew at an annual growth rate of 2.8% in the 2 nd quarter, versus its preliminary reading of 3% growth late last month.
Consumer Sentiment – August	95.9	U.S. consumer sentiment rose to 95.9 in late August from 94.0 earlier in the month, beating expectations, as oil prices eased from record highs and security fears abated.

Forthcoming Important Announcements / Events

29 th August 2004 (Sunday)	HK	:	AviChina Industry & Technology (2357) – H1 results
30 th August 2004 (Monday)	HK	:	Geely Automobile (0175) – H1 results Kamboat Group (0318) – H1 results Shanghai Industrial (0363) – H1 results Jackin International (0630) – H1 results Oriental Investment Corporation (0735) – H1 results China Resources Power (0836) – H1 results Victory Group (1139) – H1 results Beijing Capital Land (2868) – H1 results
	US	:	Personal Income – July Personal Spending – July
31 st August 2004 (Tuesday)	HK	:	Tomson Group (0258) – H1 results Rivera (Holdings) (0281) – H1 results Perennial International (0725) – H1 results China Resources Power (0836) – H1 results Semiconductor Manufacturing Int'l Corp. (0981) – H1 results Sinopec Yizheng Chemical Fibre (1033) – H1 results Bright International Group (1163) – H1 results Vedan International (Holdings) (2317) – H1 results Topsearch International (Holdings) (2323) – H1 results
	US	:	Consumer Confidence – August Chicago PMI – August Albertson's Inc. – Q2 results
1 st September 2004 (Wednesday)	HK	:	Television Broadcasts (0511) – H1 results China Telecom (0728) – H1 results Global Bio-Chem Technology (0809) – H1 results China Mengniu Dairy (2319) – H1 results
	US	:	Auto Sales – August Truck Sales – August ISM Index – August Construction Spending – July
2 nd September 2004 (Thursday)	HK	:	China Resources (0291) – H1 results Sinopec Kanton (0934) – H1 results Quality Healthcare (0593) – H1 results
	US	:	Initial Claim – 28 th August Productivity Rev. – Q2 Factory Order – July Pall Corp – Q4 results
3rd September 2004 (Friday)	HK	:	Sewco International (0209) – H1 results Asia Financial (0662) – H1 results
	US	:	Nonfarm Payrolls – Aug Unemployment Rate – Aug Hourly Earnings – Aug Average Workweek – Aug ISM Services – Aug