

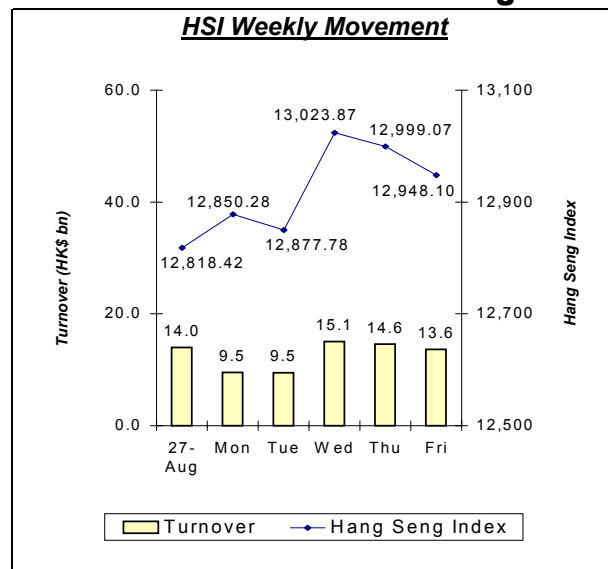
**BEA securities****EAST ASIA SECURITIES COMPANY LIMITED**

8/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 2842 3475 Research: 2842 3198 Facsimile: 2845 1606

HONG KONG RESEARCH**Restricted circulation**

Analyst: Kelvin Li

Weekly Report4th September 2004**Profit taking emerges above 13,000 ...**

<u>Weekly Market Statistics</u>				
Week ended	03/09/2004	27/08/2004	Change	%
Hang Seng Index	12,948.10	12,818.42	+129.68	+1.0%
HS Red Chip Index	1,377.62	1,346.80	+30.82	+2.3%
HS China Enterprises Index	4,314.26	4,235.37	+78.89	+1.9%
HS Composite Index	1,649.18	1,629.88	+19.30	+1.2%
HS HK Composite Index	1,768.06	1,751.60	+16.46	+0.9%
HS Mainland Composite Index	1,413.59	1,387.25	+26.34	+1.9%
S&P/HKEx GEM Index	998.64	1,004.17	-5.53	-0.6%
Avg Daily Turnover (HK\$ bn)	12.47	15.12	-2.65	-17.5%
Sectoral Indices				
Finance	26,166.44	25,999.15	+167.29	+0.6%
Utilities	29,180.57	29,087.74	+92.83	+0.3%
Properties	16,467.87	16,422.23	+45.64	+0.3%
Comm & Ind	5,389.02	5,293.81	+95.21	+1.8%

Review & Outlook of Market Performance

Hong Kong stocks closed higher this week as investors turned to pick up laggards in the commercial and industrial sectors. However, the upside was limited at a level near 13,000, after the HSI has rallied more than 3% in the past two weeks. The blue chip index ended the week at 12,948.10, up 1.01% w-o-w, seeing highs at 13,088.42. Average daily turnover for this week was down some 18% from last week to HK\$12.47 billion.

Cheung Kong Infrastructure outperformed the HSI, after the multinational utility company announced its acquisition of 69.8% stake in a gas distribution network in northern Britain for some US\$2.5 billion. It was later revealed that CKI would lower its stake in the gas company by more than 20% to below a level of 50% after the deal completes and Hong Kong Electric would be the potential co-investor. CKI ended the week at HK\$19.85, up 4.47% w-o-w.

Thanked to the positive market sentiment, China plays also performed well over the week. HSCEI advanced 1.86% w-o-w to close at 4,314.26 while HSCCI rose 2.29% w-o-w to close at 1,377.62 during the week.

Major blue chips and H shares had already announced their interim results. In general, the results were favourable. It seemed that those austerity measures imposed during the 1st half of the year by Central government had little negative impacts on those Chinese enterprises.

Next week, the focus on results announcements should fall on the two major logistic plays, COSCO Pacific and China Merchant together with those medium sized property counters like Hang Lung Group. While the interim reporting season is drawing to an end, investors are likely to turn their attentions to economic numbers like deflation and domestic consumptions. The HSI should continue to experience strong resistance at 13,000. We see more profit taking next week and the HSI to range trade between 12,850 and 13,050.

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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							
3rd September	10,260.20	1,844.48	11,022.49	1,937.66	841.58	629.08	5,761.14
27th August	10,195.01	1,862.09	11,209.59	1,915.90	821.49	620.56	5,797.71
Change	+65.19	-17.61	-187.10	+21.76	+20.09	+8.52	-36.57
%	+0.6%	-0.9%	-1.7%	+1.1%	+2.4%	+1.4%	-0.6%

Major Changes in Index Constituent Stocks (Week ended 3rd September 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @03/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Cheung Kong Infrastructure	1038	HK\$19.85	+HK\$0.85	+4.47%	A consortium led by CKI has agreed to buy 69.8% stake in a gas distribution network in northern Britain for US\$2.5 billion.
TVB	0511	HK\$31.70	+HK\$0.70	+2.26%	TVB reported a net profit of HK\$220 million in 1H2004, up 41% y-o-y.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @03/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD	1211	HK\$22.45	+HK\$2.35	+11.69%	BYD has been rallying from a start point of HK\$19 since the week ended 27/08/2004, after the battery maker reported a 46% y-o-y rise in net profit of 1H2004.
China Life	2628	HK\$4.725	+HK\$0.425	+9.88%	The mainland's largest life insurer said it has been in talk with 19 foreign investors for a potential strategic partnership.

Summary of US Economic News

Indicator	Change/Index	Comments
Personal Spending – July	0.8%	Personal spending rose 0.8% in July, compared with a 0.2% fall in June. Purchases of cars and other durable goods led the growth in spending.
Consumer Confidence – August	98.2	Worries about the job market sent consumer confidence tumbling to 98.2 in August, from a reading of 105.7 in July.
Auto Sales – August	16.6 million units	Auto sales fell 5.4% to an annual rate of 16.6 million units from a strong rate of 17.2 million in July.
ISM Manufacturing Index – August	59.0	The US manufacturing sector posted slower growth as the ISM index fell to 59 from 62 in July, lower than the forecasts of 60.
Non-farm Payrolls – August	+144,000	Non-farm payrolls added 144,000 in last month, up from a revised 73,000 (prev: +32,000) in July but slightly missed the consensus forecast of +150,000.
Unemployment Rate – August	5.4%	Jobless rate dipped 10 bps to 5.4% in Aug from 5.5% in July, beating forecast of a flat move.

**Forthcoming Important Announcements / Events**

6 th September 2004 (Monday)	HK	:	Hopewell Holdings (0054) – Final results Chinese Estates Holdings (0127) – H1 results China Merchants Holdings (0144) – H1 results Glorious Sun Enterprises (0393) – H1 results SCMP Group (0583) – H1 results Hopewell Highway Infrastructure (0737) – Final results
7 th September 2004 (Tuesday)	HK US	: :	Hong Kong & China Gas (0003) – H1 results Shangri-la Asia (0069) – H1 results Beijing Enterprises Holdings (0392) – H1 results Neiman Marcus Group (NMGA) - Q4 results Seagate Technology (STX) – Q4 results UTI Worldwide (UTIW) – Q2 results
8 th September 2004 (Wednesday)	HK US	: :	Hang Lung Group (0010) – Final results Hang Lung Properties (0101) – Final results K Wah International Holdings (0173) – H1 results GZI Transport (1052) – H1 results COSCO Pacific (1199) – H1 results Combo Telecom Systems Holdings (2342) – H1 results Fed's Beige Book Consumer Credit – July
9 th September 2004 (Thursday)	HK US	: :	Fong's Industries Company (0641) – H1 results Initial Claims – 4 th September Import and Export Prices – August Wholesale Inventories – July National Semiconductor Corp – Q1 results J. Crew Group (JCREW) – Q2 results
10 th September 2004 (Friday)	HK US	: :	Kowloon Development (0034) – H1 results Haier-CCT Holdings (1169) – H1 results Li Ning Company (2331) – H1 results Trade Balance – July Producer Price Index – August