

**BEA securities**

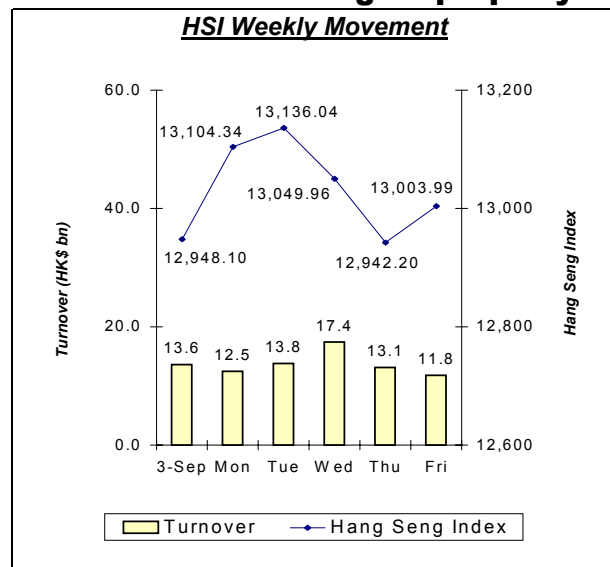
EAST ASIA SECURITIES COMPANY LIMITED

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

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

HONG KONG RESEARCH**Restricted circulation**

Analyst: Stanley Lau

Weekly Report11th September 2004**Profit-taking on property stocks ripped off earlier gains**

Weekly Market Statistics				
Week ended	10/09/2004	03/09/2004	Change	%
Hang Seng Index	13,003.99	12,948.10	+55.89	+0.4%
HS Red Chip Index	1,381.45	1,377.62	+3.83	+0.3%
HS China Enterprises Index	4,287.47	4,314.26	-26.79	-0.6%
HS Composite Index	1,657.29	1,649.18	+8.11	+0.5%
HS HK Composite Index	1,780.00	1,768.06	+11.94	+0.7%
HS Mainland Composite Index	1,413.42	1,413.59	-0.17	-0.0%
S&P/HKEx GEM Index	991.81	998.64	-6.83	-0.7%
Avg Daily Turnover (HK\$ bn)	13.71	12.47	+1.24	+10.0%
Sectoral Indices				
Finance	26,193.80	26,166.44	+27.36	+0.1%
Utilities	29,381.63	29,180.57	+201.06	+0.7%
Properties	16,684.61	16,467.87	+216.74	+1.3%
Comm & Ind	5,414.80	5,389.02	+25.78	+0.5%

Review & Outlook of Market Performance

The Hang Seng Index hit a fresh 6-month high on Tuesday before dragging down by profit taking on property shares and reacting news of a deadly booming blast in Indonesia. The HSI rebounded slightly on Friday and ended the week at 13,003.99, up 55.89 points, or 0.43% w-o-w. Turnover was robust over the week with average daily turnover of HK\$13.71 billion.

Property stocks rose earlier the week after reports of strong sales and news that 2 land sites were marked for auction next month with total minimum guaranteed bids of HK\$8.02 billion. Profit taking emerged after the rally and narrowed the gains. Cheung Kong rose 1.12% w-o-w to HK\$68, while SHKP rose 0.68% w-o-w to HK\$74. Second tier developers performed stronger than their large cap counterparts with New World Development and Sino Land rising 4.05% w-o-w and 2.65% w-o-w respectively.

Over the week, China Unicom was the top performer, rising 6.09% w-o-w to HK\$6.1 after Lucent Technology said it has secured a US\$98.5 million contract to supply services support to the firm's CDMA network expansion in Guangdong. Meanwhile, newcomers to the HSI succumbed. China Merchants dropped 4.96% w-o-w to HK\$11.5 on profit taking, while Denway Motors slipped 9.5% w-o-w to HK\$2.85 after reporting that its monthly car sales fell 23.6% in August as production was suspended temporarily for maintenance and factory upgrades.

Performance of China-related shares were mixed with the HSCEI down 0.62% w-o-w at 4,287.47 and the HSCCI up 0.28% w-o-w at 1,381.45. Commodity plays outperformed on increasing belief that China would not raise interest rates in the near term. Maanshan Iron & Steel rose 7.55% w-o-w to HK\$2.85, while Chalco rose 3.31% w-o-w to HK\$3.9. Sinopec fell 4.13% w-o-w to HK\$2.9 on talk that ExxonMobile would sell its stake in the firm. Travelsky Technology and China Travel HK gained 5.17% w-o-w and 13.73% w-o-w respectively on expectation that the new air services pact between Hong Kong and China would benefit travel-related industries. Hainan Meilan International Airport plunged 17.1% w-o-w to HK\$5.8, after it delayed the release of its 1st-half results for the second time, raising concerns about corporate governance for the firm.

Looking forward into next week, market attention would focus on oil prices after the terrorist attack and the Beijing government's reaction to the outcome of the legislative elections. We expect to see mild consolidation on the market before it regains momentum. The HSI is expected to range trade between 12,900 to 13,150 with good support at 12,800.

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.

**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							
10th September	10,313.07	1,894.31	11,083.23	1,967.70	850.29	640.60	5,846.19
3rd September	10,260.20	1,844.48	11,022.49	1,937.66	841.58	629.08	5,761.14
Change	+52.87	+49.83	+60.74	+30.04	+8.71	+11.52	+85.05
%	+0.5%	+2.7%	+0.6%	+1.6%	+1.0%	+1.8%	+1.5%

Major Changes in Index Constituent Stocks (Week ended 10th September 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @10/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Unicom	0762	HK\$6.10	+HK\$0.35	+6.09%	Lucent Technology said it has secured a US\$98.5 million contract to supply services support to the firm's CDMA network expansion in Guangdong
Denway Motor	0203	HK\$2.85	-HK\$0.3	-9.52%	The carmaker said on Friday that monthly car sales fell 23.6% in August as production was suspended temporarily for maintenance and factory upgrades.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	HK\$2.85	+HK\$0.2	+7.55%	The shares outperformed as investors increasingly believe that China will not raise interest rate in the near term.
Sinopec	0386	HK\$2.9	-HK\$0.125	-4.13%	The shares tumbled on talk that ExxonMobile would sell its stake in the firm

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @10/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Travel HK	0308	HK\$1.74	+HK\$0.21	+13.73%	The shares rose after the firm bought back 1 million shares on 9 th September and also on expectation that the new air services pact between Hong Kong and China would benefit travel-related industries.



Summary of US Economic News

Indicator	Change/Index	Comments
Fed's Beige Book	-	The US economy in many areas grew at a slower pace in late July and August as household spending softened.
Consumer Credit – July	+\$10.9 billion	US consumer credit grew US\$10.9 billion to US\$2.04 billion, higher than the consensus forecast of a US\$7.7 billion gain.
Initial Claims – 4 th September	-44,000	Initial claims were 319,000, a decrease of 44,000 versus the consensus forecast of a 17,000 decrease from the previous week's revised figure of 363,000.
Wholesale Inventories – July	+1.3%	Inventories for both durable and non-durable goods increased by 1.3% versus consensus forecast of a 0.6% increase.
Trade Balance – July	US\$50.1 billion deficit	The US trade deficit narrowed more than expected in July, but still was the 2 nd highest on record at US\$50.1 billion, even though imports dropped for the 1 st time in 10 months and exports jumped higher.
Producer Price Index – August	-0.1%	The PPI fell 0.1% in August as energy price gains eased and the cost of food and vehicles fell.

Forthcoming Important Announcements / Events

13 th September 2004 (Monday)	HK	:	Varitronix Int'l (0710) – H1 results Linmark Group Int'l (0915) – Final results
14 th September 2004 (Tuesday)	HK	:	Shun Tak Holdings (0242) – H1 results China Insurance Int'l Holdings (0966) – H1 results
	US	:	Retail & food sales – August Redbook retail sales index Oracle (ORCL) – Q1 results Vivendi Universal (V) – Q2 results Kroger (KR) – Q2 results
15 th September 2004 (Wednesday)	HK	:	Gucco Group (0053) – Final results Esprit Holdings (0330) – Final results
	US	:	Business inventories – July Industrial production – August Capacity utilization – August AXA (AXA) – Q2 results Best Buy (BBY) – Q2 results
16 th September 2004 (Thursday)	HK	:	Great Eagle Holdings (0041) – H1 results Kowloon Motor Bus (0062) – H1 results Denway Motor (0203) – H1 results Smartone Telecom (0315) – Final results
	US	:	Initial jobless claims – 11 th September Consumer price index – August DJ – BTM business barometer 3 Com Corp (COMS) – Q1 results
17 th September 2004 (Friday)	HK	:	CNPC (Hong Kong) (0135) – H1 results China National Aviation (1110) – H1 results
	US	:	September preliminary U of Michigan consumer sentiment Circuit City Stores (CC) – Q2 results