

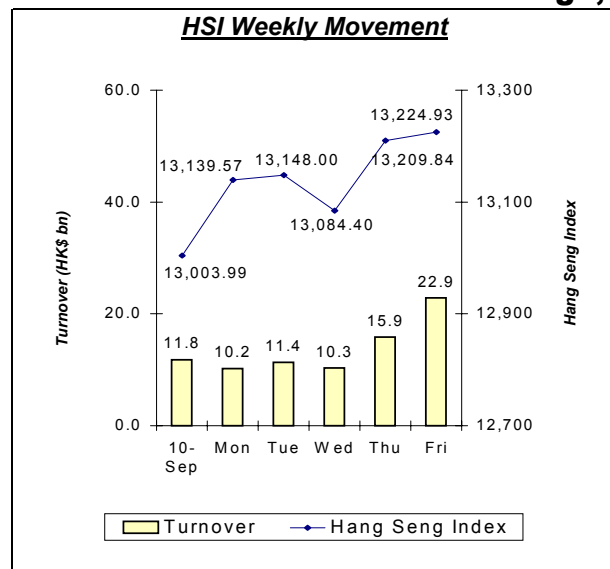
**BEA securities****EAST ASIA SECURITIES COMPANY LIMITED**

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

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

HONG KONG RESEARCH**Restricted circulation**

Analyst: Ernest Tan

Weekly Report18th September 2004**HSI reached six-month high; H-shares regained momentum**

| Weekly Market Statistics | | | | |
|---------------------------------|------------|------------|---------|-------|
| Week ended | 17/09/2004 | 10/09/2004 | Change | % |
| Hang Seng Index | 13,224.93 | 13,003.99 | +220.94 | +1.7% |
| HS Red Chip Index | 1,410.37 | 1,381.45 | +28.92 | +2.1% |
| HS China Enterprises Index | 4,570.09 | 4,287.47 | +282.62 | +6.6% |
| HS Composite Index | 1,693.12 | 1,657.29 | +35.83 | +2.2% |
| HS HK Composite Index | 1,809.46 | 1,780.00 | +29.46 | +1.7% |
| HS Mainland Composite Index | 1,463.75 | 1,413.42 | +50.33 | +3.6% |
| S&P/HKEx GEM Index | 978.63 | 991.81 | -13.18 | -1.3% |
| Avg Daily Turnover (HK\$ bn) | 14.12 | 13.71 | +0.41 | +3.0% |
| Sectoral Indices | | | | |
| Finance | 26,548.05 | 26,193.80 | +354.25 | +1.4% |
| Utilities | 29,549.90 | 29,381.63 | +168.27 | +0.6% |
| Properties | 17,114.08 | 16,684.61 | +429.47 | +2.6% |
| Comm & Ind | 5,523.17 | 5,414.80 | +108.37 | +2.0% |

Review & Outlook of Market Performance

The Hang Seng Index reached a six-month high this week on strong corporate earnings and upbeat economic outlook. HSI ended the week at 13,224.93, up 220.94 points, or 1.70% w-o-w. Turnover was robust over the week with average daily turnover of HK\$ 14.12 billion.

Blue chip property shares paused for breath earlier this week as the market waited for the final results of Henderson Land (0012) and Sun Hung Kai Properties (0016) next Thursday. On this Thursday, HSBC placed some 196 million shares of Hang Lung Properties (0101) for HK\$2.1 billion. Despite its colossal size, the placement was quickly snapped up and was three times oversubscribed. This news only caused slight and short-lived retreat of property counters Friday morning and did not affect the sector to record another week of gain.

Actions were also witnessed from counters that reported strong results. Esprit Holdings (0330) reported a better than expected 55.5% increase in net profit on Wednesday to a record HK\$2.003 billion on fast growing European business and a strong Euro. The counter reached an all time high of HK\$40.20 on Monday on anticipation of the announcement and quickly rebound from post-announcement profit taking to close at HK\$39.40, up HK\$2.00, or 5.35% w-o-w. Tianjin Development (0882) reported a 3.67 times jump in interim earnings and the share surged as much as 16% in the afternoon session on Thursday.

During the week, H-shares forged higher with steadily increasing volume. HSCEI gradually gathered momentum earlier this week and finally broke through the short-term resistance level of 4,500 points and close at 4,570.09, up 282.62 points, or 6.59% w-o-w. Series of economic figures released recently suggested a cool down of China's economy. It brought relief to the fear of further austerity measures in the near term. Besides, investors had high hopes on market reforms that might be brought forward during the Communist Party plenum. Furthermore, the rebound of both Shenzhen and Shanghai stock markets from their five-year lows had greatly improved market sentiment. Commodity-play continued to be strong across the board. Maanshan iron and steel (0323), Chalco (2600) and Angang Newsteel (0347) all recorded w-o-w gain from 12.28% to 14.41%.

Market focus next week will be on the Federal Reserve FOMC meeting next Tuesday and the aftermath of the Fourth Plenum of the 16th Communist Party Central Committee. Positive news on either of these fronts would provide further boost to the HSI and the HSCEI to test 13,400 and 4,600 levels respectively. 13,000 should be a strong support level for the Hang Seng Index in the near term.

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 | | | | | | | |
| 17th September | 10,284.46 | 1,910.09 | 11,082.49 | 2,003.56 | 859.66 | 668.73 | 5,818.39 |
| 10th September | 10,313.07 | 1,894.31 | 11,083.23 | 1,967.70 | 850.29 | 640.60 | 5,846.19 |
| Change | -28.61 | +15.78 | -0.74 | +35.86 | +9.37 | +28.13 | -27.80 |
| % | -0.3% | +0.8% | -0.0% | +1.8% | +1.1% | +4.4% | -0.5% |

Major Changes in Index Constituent Stocks (Week ended 17th September 2004)

Hang Seng Index (HSI)

| Stock | Stock Code | Closing Price @17/09/04 | W-O-W Change | | Remarks / Comments |
|-----------|---------------|-------------------------------|--------------|---------|--|
| | | | Absolute | % | |
| Wheelock | 0020 | HK\$12.40 | +HK\$1.40 | +12.73% | Its subsidiary, Wharf (0004), had submitted a guaranteed bid of HK\$1.65 billion for a waterfront residential lot in Aberdeen. |
| Li & Fung | 1199 | HK\$11.90 | +HK\$0.70 | +6.25% | The company is looking to raise around US\$ 300 million from the offshore bond market. |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @17/09/04 | W-O-W Change | | Remarks / Comments |
|------------------|---------------|-------------------------------|--------------|---------|--|
| | | | Absolute | % | |
| Angang Newsteel | 0347 | HK\$3.375 | +HK\$0.425 | +14.41% | Commodity sector outperformed after economic figures suggested a cool down of China's economy. |
| Yizheng Chemical | 1033 | HK\$1.74 | +HK\$0.20 | +12.99% | Stock price caught up to narrow the discount with its A share as the Shanghai stock market rebound from its five-year low. |

Hang Seng China-Affiliated Corporation Index (HSCCI)

| Stock | Stock Code | Closing Price @17/09/04 | W-O-W Change | | Remarks / Comments |
|---------------------|---------------|-------------------------------|--------------|---------|--|
| | | | Absolute | % | |
| Tianjin Development | 0882 | HK\$3.10 | +HK\$0.40 | +14.81% | The counter reported a 2004 interim net profit that was 3.67 times compared with last year. It also raised its interim dividend from 3.8 cents to 4.6 cents. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|----------------|--|
| Retail & food sales – August | -0.3% | The drop was bigger than the consensus (-0.1%) mainly due to a 2% fall in auto sales. |
| Current account – Q2 | -166.2 billion | The increase was more than accounted for by an increase in the deficit on goods and a decrease in the surplus on income. |
| Industrial production – August | +0.1% | Manufacturing output gained a 0.5% in August. The output at utilities fell significantly for third consecutive month in August and mining output moved down after a strong increase in July. |
| Capacity utilization – August | 77.3% | Capacity utilization for total industry was unchanged in August, at a rate of 3.8 % below its 1972-2003 average. |
| Initial jobless claims – 11 th September | +16k | The increase was 10k less than the consensus (+26k). |
| Consumer price index | +0.1% | Energy costs declined for the second consecutive month, i.e. down 0.3% in August, after advancing sharply in the first half of the year. |
| September preliminary U of Michigan consumer sentiment | 95.8 | The figure was lower than the consensus (96.5). Consumer confidence fell slightly in August due to greater concerns about the sluggish pace of growth in employment. |

Forthcoming Important Announcements / Events

| | | | |
|---|----|---|---|
| 20 th September 2004 (Monday) | US | : | Housing market index – September Adobe Systems (ADBE) – Q3 results Nike (NKE) – Q1 results Red Hat (RHAT) – Q2 results |
| 21 st September 2004 (Tuesday) | HK | : | Harbin Brewery Group (0249) – H1 results China Everbright International (0257) – H1 results Midland Realty (1200) – H1 results |
| | US | : | Federal Reserve FOMC meeting ICSC-UBS store sales index Housing starts – August Redbook retail sales index General Mills (GIS) – Q1 results Goldman Sachs (GS) – Q3 results Lehman Brothers (LEH) – Q3 results |
| 22 nd September 2004 (Wednesday) | HK | : | Sino Land (0083) – Final results Tsim Sha Tsui Properties (0247) – Final results Sino Hotel (1221) – Final results |
| | US | : | Bear Stearns (BSC) – Q3 results Fedex (FDX) – Q1 results Morgan Stanley (MWD) – Q3 results |
| 23 rd September 2004 (Thursday) | HK | : | Henderson Land Development (0012) – Final results Henderson Investment (0097) – Final results Henderson China (0246) – Final results Sun Hung Kai Properties (0016) – Final results Brilliance China Automotive (1114) – Interim results |
| | US | : | Consumer price index Initial jobless claims Leading indicators – August DJ – BTM business barometer A.G. Edwards (AGE) – Q2 results Rite Aid Corp (RAD) – Q2 results |
| 24 th September 2004 (Friday) | US | : | Durable goods orders – August Existing home sales – August |