

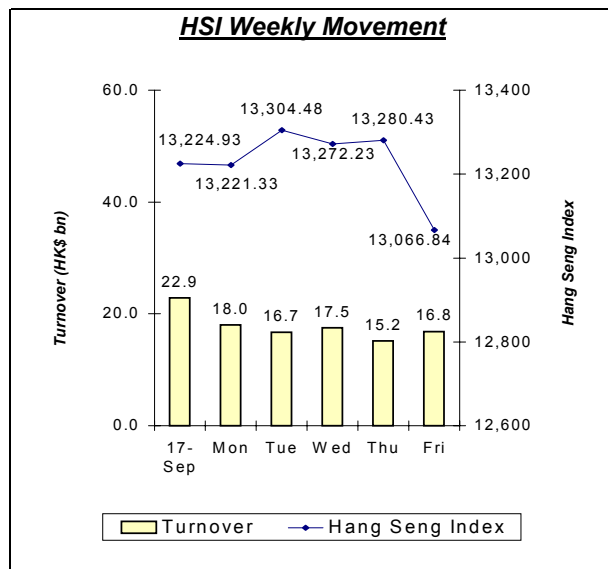
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Weekly Report24th September 2004**HSI corrected on profit taking ...**

Weekly Market Statistics				
Week ended	24/09/2004	17/09/2004	Change	%
Hang Seng Index	13,066.84	13,224.93	-158.09	-1.2%
HS Red Chip Index	1,426.57	1,410.37	+16.20	+1.1%
HS China Enterprises Index	4,538.68	4,570.09	-31.41	-0.7%
HS Composite Index	1,672.46	1,693.12	-20.66	-1.2%
HS HK Composite Index	1,776.83	1,809.46	-32.63	-1.8%
HS Mainland Composite Index	1,469.01	1,463.75	+5.26	+0.4%
S&P/HKEx GEM Index	981.27	978.63	+2.64	+0.3%
Avg Daily Turnover (HK\$ bn)	16.85	14.12	+2.73	+19.3%
Sectoral Indices				
Finance	26,337.19	26,548.05	-210.86	-0.8%
Utilities	29,264.59	29,549.90	-285.31	-1.0%
Properties	16,445.74	17,114.08	-668.34	-3.9%
Comm & Ind	5,478.28	5,523.17	-44.89	-0.8%

Review & Outlook of Market Performance

HSI touched a high at 13,356.88 on Wednesday before ending the week in negative territory. The blue chip index closed at 13,066.84, down 1.2% w-o-w. Investors took profit amid higher interest rates and limited catalysts to push the stock market higher. Besides, higher crude oil prices and sluggish overseas market performances also dampened investor sentiments. Property counters underperformed during the week after recent rally with the HS property sub-index tumbled 3.9% w-o-w.

The Fed hiked its fed funds rates by a 25bps to 1.75% last Tuesday. The FOMC said that growth regained traction and labour market conditions improved in the US. While the next FOMC meeting will be held on November 10, the treasury market has already priced in an 80%+ chance of another 25bps hike in that meeting. In Hong Kong, after the 25bps rate hike in the US, most commercial banks only followed to raise their respective prime rate by 0.125% to 5.125% while the HK\$ savings rate is being raised from 0.01% to 0.125%.

Although the 25bps rate hike was widely expected, the US equities market slipped the following day after confirmation of the rate rise mainly because of continued surging crude oil prices due to supply disruption by hurricane Ivan and a lower oil stock figure in the US.

Meanwhile, figures from the local government showed that Hong Kong's CPI rose 0.8% y-o-y in August after a growth of 0.9% in July, tracing the second straight months of inflations and confirming the six-year-old deflation was over. However, the inflation figure was lower than consensus forecast of a 1.0% rise and implied consumer spending remained sluggish; especially when durable good prices fell 1.8% in August.

With the forthcoming Mid-Autumn Festival and the National Day next week, there will only be three trading days next week with the HSI September index futures maturing next Tuesday. In light of HSI first closing below its 14-day moving average in more than 5 weeks on Friday and lack of fresh catalysts, we expect more profit taking activities next week and the HSI should have an initial support near the 13,000 level.

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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							
24th September	10,047.24	1,879.48	10,895.16	1,976.71	855.32	654.60	5,892.21
17th September	10,284.46	1,910.09	11,082.49	2,003.56	859.66	668.73	5,818.39
Change	-237.22	-30.61	-187.33	-26.85	-4.34	-14.13	+73.82
%	-2.3%	-1.6%	-1.7%	-1.3%	-0.5%	-2.1%	+1.3%

Major Changes in Index Constituent Stocks (Week ended 24th September 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @24/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$3.95	+HK\$0.325	+8.97%	CNOOC jumped last week as investors expected the offshore crude oil producer would benefit from high crude oil prices. New York November light crude oil futures ended the week at US\$48.88 per barrel, shy of a historic closing high at US\$49.40 per barrel set on 20 th August 2004.
Sun Hung Kai Properties	0016	HK\$73.00	-HK\$3.25	-4.26%	The top property developer in Hong Kong reported a rise of 9% in FY03/04 net profit to HK\$6.923 billion, but lower than consensus forecast of HK\$7.156 billion.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @24/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Chalco	2600	HK\$4.725	+HK\$0.30	+6.78%	The world's No. 2 alumina producer raised its alumina sales price by 4.8% due to higher import prices, following a cut of 12.8% in August.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @24/09/04	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL International	1070	HK\$2.425	-HK\$0.425	-14.91%	The counter was downgraded by investment bank UBS from "BUY" to "NEUTRAL", citing de-merger from TCL Communication was not efficient.
Brilliance China Automotive	1114	HK\$1.56	-HK\$0.22	-12.36%	The vehicle maker reported a drop of 29% y-o-y in net profit to RMB407 million in 1H2004, due to a lower turnover and a shrinking profit margin.

Summary of US Economic News

Indicator	Change/Index	Comments
Housing starts – August	2 million units	Housing starts rose to the highest level in five months from an annual rate of 1.988 million units in July, beating consensus forecast of 1.930 million units.
Initial jobless claims – the week ended 18 th September	350,000	The number of people filed for jobless benefits rose 14,000 to 350,000 in the week ended 18 th September, higher than the consensus forecast of 340,000.
Index of leading indicators	115.7	The index of leading economic indicators fell 0.3% to 115.7 in August, worse than the consensus forecast of a drop of 0.2%.
Durable goods orders – August	-0.5%	Durable goods orders fell 0.5% in August after a rise of 1.8 in July. The market expected flat orders growth.
Existing homes sales – August	-2.7%	US existing home sales fell an unexpected 2.7% in August to an annualised 6.54 million units. Market estimated a milder 1% fall.

Forthcoming Important Announcements / Events

27 th September 2004 (Monday)	HK	:	External Trade figures – August CEC International Holdings (0759) – Q1 results Central China Enterprises (0351) – H1 results Cheuk Nang (Holdings) (0131) – Final results China Star Entertainment (0326) – H1 results CSMC Technologies Corporation (0597) – H1 results Egana Jewellery & Pearls (0926) – Final results Sun Man Tai Holdings (0433) – H1 results TCL Communication Technology (2618) trading debut
	US	:	New Home Sales – August Micron Technology – FY2004
28 th September 2004 (Tuesday)	HK	:	REXCAPITAL Financial Holdings (0555) – H1 results South Sea Petroleum Holdings (0076) – H1 results Zhongtian International (2379) – H1 results
	US	:	Consumer Confidence – September Pepsi Bottling Group Inc – Q3 results
29 th September 2004 (Wednesday)	HK	:	The day following the Chinese Mid-Autumn Festival holiday Jackley Holdings (0353) – H1 results
	US	:	GDP – Final – Q2 Neogen Corp. – Q1
30 th September 2004 (Thursday)	HK	:	Monetary Statistics – August
	US	:	Personal Income – August Personal Spending – August Initial Jobless Claims – Week ended 25/09/2004 Chicago PMI – September PepsiCo Inc. – FY04 Q3 results
1 st October 2004 (Friday)	HK	:	National Day holiday
	US	:	G7 Finance Minister meeting in Washington Auto sales – September U. Michigan consumer sentiment (Rev) – September ISM Index – September Construction spending – August