

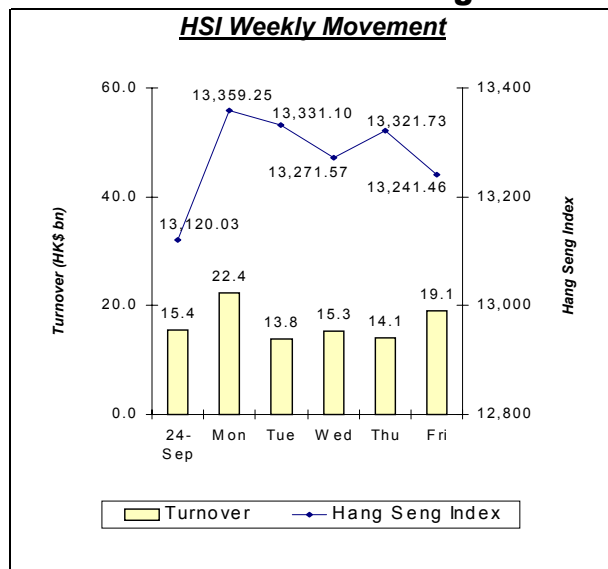
**BEA securities****EAST ASIA SECURITIES COMPANY LIMITED**

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 Report**9<sup>th</sup> October 2004**Earlier gains lacked follow through**

<b>Weekly Market Statistics</b>				
Week ended	08/10/2004	30/09/2004	Change	%
Hang Seng Index	13,241.46	13,120.03	+121.43	+0.9%
HS Red Chip Index	1,455.07	1,429.67	+25.40	+1.8%
HS China Enterprises Index	4,770.79	4,649.66	+121.13	+2.6%
HS Composite Index	1,705.59	1,683.31	+22.28	+1.3%
HS HK Composite Index	1,803.52	1,786.94	+16.58	+0.9%
HS Mainland Composite Index	1,516.73	1,481.62	+35.11	+2.4%
S&P/HKEx GEM Index	995.97	982.31	+13.66	+1.4%
Avg Daily Turnover (HK\$ bn)	16.95	26.97	-10.02	-37.2%
<b>Sectoral Indices</b>				
Finance	26,733.19	26,472.68	+260.51	+1.0%
Utilities	29,939.23	29,580.68	+358.55	+1.2%
Properties	16,640.29	16,524.36	+115.93	+0.7%
Comm & Ind	5,534.97	5,486.62	+48.35	+0.9%

**Review & Outlook of Market Performance**

Hong Kong stock market hovered around its seven month high and ended the week with a gain of 121.43 points, or 0.9% w-o-w, to close at 13,241.46 as funds put money into equities at the beginning of the 4<sup>th</sup> quarter. The market started the week with heavy short covering and portfolio rebalancing activities. However, transaction was relatively muted for the rest of the week. Average turnover for the week was HK\$16.95 billion.

China oil plays and related counters were the focus of the week as the global oil prices continued breaking new record highs (above US\$ 53 a barrel) on heightened concerns that supplies would be inadequate during this coming winter. The three oil heavyweights, PetroChina (0857), Sinopec (0386) and CNOOC (0883), all recorded w-o-w gains ranging from 1.8% to 6.7%. Oil shipping companies also attracted heavy buying interests. Jinhui Holdings (0137) surged 29.3% over the week while China Shipping Development (1138) and China Shipping Container Lines (2866) gained 8.3% and 7.5% w-o-w respectively.

Besides oil counters, funds are moving into sectors that were previously beaten down as a result of China's austerity measures. Automobile sector benefited most from the news that Geely Automobile (0175), a small manufacturer, reported growth in sales in September and expected continued growth. The counter jumped 19.4% w-o-w to HK\$0.43 while Brilliance China (1114) also jumped 17.9% w-o-w to HK\$1.84 on heavy turnover. Buying interests were also seen in the technology sector, particular semiconductor stocks as the Philadelphia Semiconductor Index (SOX) post a rebound from its year low recently. SMIC (0981) surged over 10% w-o-w with turnover surpassing major blue chips on news that it was on talk with Texas Instrument to produce high-end chips on its behalf. Commodities related stocks continued to outperform as data showing inventories of copper and aluminium worldwide remained low. Jiangxi Copper (0358) rose 7.1% w-o-w to HK\$4.9 while Chalco (2600) gained 5.0% w-o-w to HK\$5.3. The HSCEI closed the week up 2.6% to 4,770.79 while the HSCCI gained 1.8% w-o-w to close at 1,455.07.

Looking ahead, investors' attention would be focused on the land auction on next Tuesday. As the market has already discounted the final bids to reach some 30% above the guaranteed minimum prices, similar outcome would likely trigger profit taking on the properties counters. We see the HSI should continue hovering between 13,000 and 13,300 and "treasure hunting" on laggards would likely to go on next week.

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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							
8-Oct	10,055.20	1,919.97	11,349.35	2,004.30	861.08	676.15	6,102.16
1-Oct	10,192.65	1,942.20	10,985.17	1,981.14	853.93	661.23	5,945.35
Change	-137.45	-22.23	364.18	23.16	7.15	14.92	156.81
%	-1.35%	-1.14%	+3.32%	+1.17%	+0.84%	+2.26%	+2.64%

**Major Changes in Index Constituent Stocks (Week ended 8<sup>th</sup> October 2004)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @08/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources	0291	HK\$10.65	+HK\$0.50	+4.9%	The company sold an office project in Central for HK\$ 1.33 billion.
COSCO Pacific	1199	HK\$13.50	+HK\$0.50	+3.8%	The counter rose on positive outlook for the shipping industry.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @08/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	1138	HK\$7.20	+HK\$0.55	+8.3%	Oil shipping companies attracted attentions this week on continue surging oil prices. In addition, the company entered into an agreement to sell an oil tanker to its sister company for RMB 24,840,000.
Jiangxi Copper	0358	HK\$4.90	+HK\$0.325	+7.1%	Statistics of London Metal Exchange showed that global inventories of aluminium and copper had declined to their year low levels.
Chalco	2600	HK\$5.30	+HK\$0.25	+5.0%	

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

Stock	Stock Code	Closing Price @08/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China	1114	HK\$1.84	HK\$0.28	+17.9%	Small car-maker Geely Automobile (0175) said that sales volume at its associates rose 13% in September from a year earlier, and 70% from August Month-on-month, and it expected continued growth.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Factory orders – Aug.	-0.1%	The figure was lower than the consensus (+0.3%). Transportation equipment had the largest decrease that offset other categories.
ISM non-manufacturing – Sept.	56.7	The figure was lower than the consensus (59.0). The index had increased for 18 <sup>th</sup> consecutive month but the rate of increase was lower than August.
Initial jobless claims – 2 <sup>nd</sup> Oct.	-37k	The decrease was larger than the consensus (-19k). However, 4-week moving average still showed an increase of 4.25k.
Consumer credit – Aug.	-US\$2.4bn	Contrary to the consensus forecast, i.e. +US\$5.4bn, there was a contraction of consumer credit in August.
Non-farm payrolls – Sept.	+96k	The figure was far below consensus (+145k). The shortfall was mainly attributable to longer working hours and higher productivity of existing workforce. Hurricane also caused minor impact.
Unemployment rate – Sept.	5.4%	The figure met the consensus and was the same as August
Wholesale inventories – Aug.	+0.9%	The increase was greater than consensus (0.8%) but showed a decline from last month's revised figure (+1.5%)

**Forthcoming Important Announcements / Events**

11 <sup>th</sup> October 2004 (Monday)	HK	:	Benefun International (1130) – Final results Golden Harvest Entertainment (1132) – Final results
	US	:	Infosys Technologies (INFY) – Q2 results
12 <sup>th</sup> October 2004 (Tuesday)	HK	:	Art Textile Technology (0565) – Final Results
	US	:	<b>Johnson &amp; Johnson (JNJ) – Q3 results</b> <b>Merrill Lynch (MER) – Q3 results</b> <b>State Street Corp. (STT) – Q3 results</b> <b>Yahoo (YHOO) – Q3 results</b>
13 <sup>th</sup> October 2004 (Wednesday)	HK	:	Ngai Hing Hong (1047) – Final results
	US	:	Redbook Retail Sales Index – 9 <sup>th</sup> Oct. <b>Apple Computer, Inc. (AAPL) – Q4 results</b>
14 <sup>th</sup> October 2004 (Thursday)	HK	:	SNP Leefung Holdings (0623) – Interim results
	US	:	Initial Jobless Claims – 2 <sup>nd</sup> Oct. August Trade Deficit September Import Prices Abbott Laboratories (ABT) – Q3 results <b>Bank of America Corporation (BAC) – Q3 results</b> <b>Citigroup (C) – Q3 results</b> <b>General Motors (GM) – Q3 results</b> <b>Nokia (NOK) – Q3 results</b> <b>Sun Microsystems (SUNW) – Q1 results</b>
15 <sup>th</sup> October 2004 (Friday)	HK	:	<b>New World Development (0017) – Final results</b> <b>New World TMT (0301) – Final results</b> <b>NWS Holdings (0659) – Final results</b> <b>New World China Land (0917) – Final results</b>
	US	:	September Producer Price Index September Retail & Food Sales September Industrial Production September Capacity Utilization October Preliminary U of Mich Sentiment August Business Inventories