

**BEA securities**

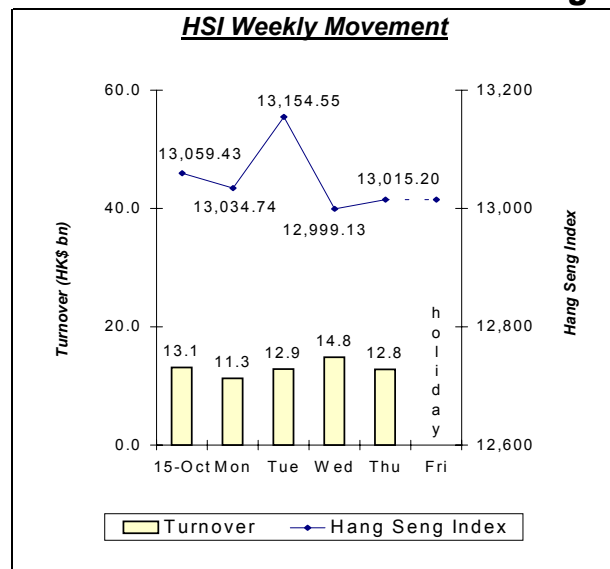
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report23rd October 2004**Profit taking hit China shares**

Weekly Market Statistics				
Week ended	21/10/2004	15/10/2004	Change	%
Hang Seng Index	13,015.20	13,059.43	-44.23	-0.3%
HS Red Chip Index	1,399.05	1,415.78	-16.73	-1.2%
HS China Enterprises Index	4,492.91	4,585.09	-92.18	-2.0%
HS Composite Index	1,670.57	1,679.41	-8.84	-0.5%
HS HK Composite Index	1,780.31	1,784.45	-4.14	-0.2%
HS Mainland Composite Index	1,455.33	1,474.62	-19.29	-1.3%
S&P/HKEx GEM Index	992.19	994.62	-2.43	-0.2%
Avg Daily Turnover (HK\$ bn)	12.95	15.20	-2.25	-14.8%
Sectoral Indices				
Finance	26,670.40	26,505.48	+164.92	+0.6%
Utilities	29,748.27	29,474.66	+273.61	+0.9%
Properties	16,056.89	16,489.94	-433.05	-2.6%
Comm & Ind	5,369.47	5,419.79	-50.32	-0.9%

Review & Outlook of Market Performance

Local shares fell as profit taking hit China shares ahead of key China economic figures released on Friday. The HSI closed down 0.3% w-o-w at 13,015.20. Average daily turnover for the week was HK\$12.95 billion.

Property counters were largely lower following signs of weakening housing sales over the last weekend. Developers generally withdrew their units from the market right after the strong results from the recent land auction. Sun Hung Kai Properties was down 3.06% w-o-w at HK\$71.25 and Cheung Kong was down 2.66% w-o-w at HK\$64. Mid-tier developer Sino Land reversed its recent uptrend on Thursday, falling 2.99% w-o-w to HK\$6.5, after news that it had launched its HK\$2 billion worth of convertible bonds.

Exporters were boosted by strong US retail sales figure, which jumped a higher-than-expected 1.5% in September, propelled by the sharpest jump in auto sales in nearly 3 years. COSCO Pacific rose 2.71% w-o-w to HK\$13.25 and mini-motor maker Johnson Electric Holdings was up 0.67% w-o-w at HK\$7.5.

The HSCEI fell 2.01% w-o-w to 4,492.91, led by a decline of commodities stocks. Investors took profit before the release of GDP and CPI figures on Friday for clues on whether Beijing would ease its credit curbs. Anhui Conch Cement slid 8.29% w-o-w to HK\$8.85 after it reported a 31.5% y-o-y decline in 3rd quarter net profit as the mainland moves to cool the economy curbed cement prices. Mannshan Iron & Steel also tumbled 9.6% w-o-w to HK\$2.825 on weak 3rd quarter results.

China Power International Development added 2.54% w-o-w to HK\$3.025 following a decent debut late last week as investors sought more exposure in China's booming energy demand. Melco International Development jumped 46.85% w-o-w to HK\$8.15 on expectations for high growth in its Macau's entertainment business. The company has placed some 76 million new shares at HK\$5.2 each and raised some HK\$394.7 million.

China released on Friday that GDP grew at 9.1% and CPI rose 5.2% in the 3rd quarter, showing signs of a measured slowdown from previous quarter. These numbers should at least provide certain support to the China shares. With the US Dow falling 1.09% or 107.95 point on Friday, the HSI may have to defend its 13,000 level in the coming week on record-high oil prices and the upcoming US presidential election, which undoubtedly would weigh on sentiment.

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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							
22nd October	9,757.81	1,915.14	10,857.13	1,967.07	853.88	659.05	5,774.67
15th October	9,933.38	1,911.50	10,982.95	1,962.54	851.29	648.45	5,820.82
Change	-175.57	+3.64	-125.82	+4.53	+2.59	+10.60	-46.15
%	-1.8%	+0.2%	-1.1%	+0.2%	+0.3%	+1.6%	-0.8%

Major Changes in Index Constituent Stocks (Week ended 21st October 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @21/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$13.25	+HK\$0.35	+2.71%	The shares rose in a technical rebound and were also boosted by strong US retail sales data.
Sun Hung Kai Properties	0016	HK\$71.25	-HK\$2.25	-3.56%	Slowing property sales triggered profit taking on the shares.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @21/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0320	HK\$2.825	-HK\$0.3	-9.60%	The company's 3 rd quarter net profit fell 22% y-o-y, as rising operating costs offset higher sales.
Anhui Conch Cement	0914	HK\$8.85	-HK\$0.8	-8.29%	The company's 3 rd quarter net profit fell 31.5% y-o-y, as the government's austerity measures curbed cement prices.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @21/10/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.7	+HK\$0.05	+1.89%	The shares rose after reporting that the company was Asia's biggest PC seller with 13.1% of the market, up from 12.9% a year earlier.
China Unicom	0762	HK\$5.75	-HK\$0.15	-2.54%	The shares fell after the company reported a weak growth in cellular subscribers.



Summary of US Economic News

Indicator	Change/Index	Comments
CPI – September	0.2%	September's CPI rose 0.2%, in line with expectations. However, the core CPI, excluding food and energy costs, rose 0.3% against forecasts of a 0.2% increase, the biggest gain since April.
Housing Starts – September	1.898 million units (-6.0%)	Housing starts slowed by a larger-than-expected 6.0% in September after 2 months of gains, but building permits came in at an annual rate of 2.01 million, compared with a 1.97 million pace in August.
Initial Jobless Claims – 16 th October	329,000	Initial claims for unemployment sank by 25,000 last week, coming in well below estimates of 345,000.
Index of leading indicators – September	-0.1%	The index of leading economic indicators fell 0.1% in September, smaller than a 0.3% decline in August.

Forthcoming Important Announcements / Events

25 th October 2004 (Monday)	US	:	Existing Home Sales – September American Express Co. – Q3 results Automatic Data Processing Inc. – Q1 results BellSouth Corp. – Q3 results Hilton Hotels Corp. – Q3 results Nortel Networks Corp. – Q3 results
26 th October 2004 (Tuesday)	HK US	:	External Trade – September Consumer Confidence – October Ace Ltd. – Q3 results Chubb Corp. – Q3 results Du Pont (El) De Nemours & Co. – Q3 results
27 th October 2004 (Wednesday)	US	:	Durable Goods Orders – September New Home Sales – September Fed's Beige Book Anheuser-Busch Companies – Q3 results Boeing Co. – Q3 results Comcast Corporation – Q3 results MetLife Inc. – Q3 results Moody's Corp – Q3 results Procter & Gamble Co. – Q1 results
28 th October 2004 (Thursday)	US	:	Initial Claims – 23 rd October Aetna Inc. – Q3 results Dow Chemical Co. – Q3 results DaimlerChrysler AG – Q3 results Exxon Mobil Corp. – Q3 results Gillette Co. – Q3 results Verizon Communications – Q3 results Viacom Inc. – Q3 results
29 th October 2004 (Friday)	HK US	:	Money Supply – September Total Loans & Advances – September GDP – Q3 Employment Cost Index – Q3 Michigan Consumer Sentiment – October Chicago PMI – October Bristol-Myers Squibb – Q3 results ChevronTexaco Co. – Q3 results