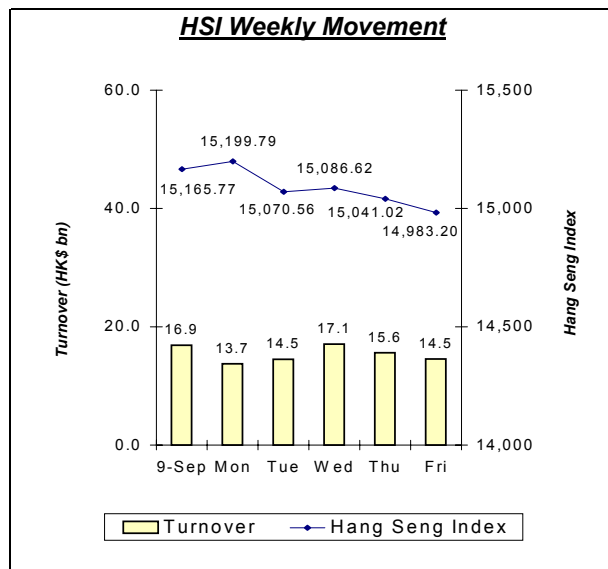


Market fell on rate hike expectation


Weekly Market Statistics				
Week ended	16/09/2005	09/09/2005	Change	%
Hang Seng Index	14,983.20	15,165.77	-182.57	-1.2%
HS Red Chip Index	1,891.52	1,893.04	-1.52	-0.1%
HS China Enterprises Index	5,062.21	5,137.44	-75.23	-1.5%
HS Composite Index	1,933.51	1,950.80	-17.29	-0.9%
HS HK Composite Index	1,988.43	2,009.76	-21.33	-1.1%
HS Mainland Composite Index	1,836.29	1,845.65	-9.36	-0.5%
S&P/HKEx GEM Index	967.79	945.67	+22.12	+2.3%
Avg Daily Turnover (HK\$ bn)	15.07	16.51	-1.44	-8.7%
Sectoral Indices				
Finance	26,989.21	27,213.83	-224.62	-0.8%
Utilities	31,545.90	31,945.68	-399.78	-1.3%
Properties	18,658.37	19,253.46	-595.09	-3.1%
Comm & Ind	7,110.33	7,184.34	-74.01	-1.0%

Review & Outlook of Market Performance

Worries on further US rate hike sent Hong Kong market down this week. Trading volume thinned out as investors chose to stay on sideline ahead of the long weekend and the US Federal Reserve FOMC meeting next Tuesday. The HSI lost 182.57 points, or 1.2% w-o-w, to 14,983.20. Average daily turnover dropped to HK\$15.07 billion from HK\$16.51 billion of last week's.

Interest rate sensitive property sector underperformed during the week on rate hike concerns. HS Properties Sub-index fell 3.1% w-o-w to 18,658.37. Sun Hung Kai Properties' (0016) 50% jump in annual profit failed to impress investors as it was slightly below consensus forecast of HK\$10.87 billion. The counter fell 3.0% w-o-w to close at HK\$80.00. Properties bellwethers like Cheung Kong (0001) and Henderson Land (0012) also dropped 3.4% and 3.3% w-o-w to HK\$82.85 and HK\$38.10 respectively.

Share prices of retailers reacted differently to the long anticipated opening of the Hong Kong Disneyland. Local retailers like Sa Sa International (0178) were under heavy profit taking on concern that the resulted benefits might not be as much as anticipated. The counter plunged 9.7% w-o-w to HK\$3.275. On the other hand, Giordano (0709) surged 12.0% w-o-w to close at HK\$5.35 after its investment rating being upgraded by a major brokerage, citing its attractive valuation. Esprit fell 1.4% w-o-w to close at HK\$60.00 despite it announced a 67% rise in annual profits to HK\$3.3 billion as the results no longer surprised investors like previous times.

HSCEI fell 75.23 points, or 1.5% w-o-w during the week to 5,062.21. Zijin Mining (2899) jumped 9.8% w-o-w to close at HK\$2.25 as gold prices hovered around 17 year highs on a weaker US dollar. China Shenhua (1088) was the laggard of the week, plunging 7.2% w-o-w to close at HK\$8.35 as warrant issuers sold the counter to hedge their positions.

Looking ahead, the Federal Reserve FOMC meeting next Tuesday will be closely scrutinized by investors as it should shed lights on the impact of Hurricane Katrina. Locally, as the reporting season has passed its zenith, the coming land auction on 27th September should be the new catalyst to the market. We see the HSI to range trade between 14,700 to 15,150 level before the end of the month.

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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							
16th September	10,641.94	2,160.35	12,958.68	2,306.38	921.99	708.26	6,031.24
9th September	10,678.56	2,175.51	12,692.04	2,301.28	917.92	712.78	6,119.06
Change	-36.62	-15.16	+266.64	+5.10	+4.07	-4.52	-87.82
%	-0.3%	-0.7%	+2.1%	+0.2%	+0.4%	-0.6%	-1.4%

Major Changes in Index Constituent Stocks (Week ended 16th September 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$17.75	+HK\$1.55	+9.6%	Market speculated that the counter might be ready to make further acquisitions.
Lenovo	0992	HK\$3.50	+HK\$0.30	+9.4%	Its chairman said that the company aims to expand in twice the industry growth rate over the next five years. Moreover, Its investment rating and target price were raised by a major brokerage.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$2.25	+HK\$0.2	+9.8%	Gold prices hovered around 17-year highs on the back of a weak U.S. dollar.
China Shenhua	1088	HK\$8.35	-HK\$0.65	-7.2%	Warrant issuers sold the counter to maintain their delta neutral positions.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @16/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1119	HK\$2.25	+HK\$0.36	+19.1%	Rumour has it that the Central Government might relax some of the austerity measures previously imposed on the property sector.
China Travel	0308	HK\$2.2	-HK\$0.10	-4.4%	There was profit taking on the counter after the opening of Hong Kong Disneyland earlier in the week.



Summary of US Economic News

Indicator	Change/Index	Comments
August Producer Price Index	+0.6%	The increase was less than the consensus forecast (+0.8%) and that of the previous month (+1.0%).
July Trade Deficit	US\$57.9 billion	The figure was less than market consensus (US\$60 billion). July exports were US\$0.4 billion more than June exports of US\$105.8 billion. July imports were US\$1.1 billion less than June import of US\$165.3 billion.
August Retail Sales	-2.1%	The decrease was larger than the market consensus (-1.4%) Gasoline station sales were up 29.3% y-o-y and sales of non-store retailers were up 11.0% y-o-y.
August Consumer Price Index	+0.5%	The increase was lower than market forecast (+0.6%). Energy costs increased sharply for the second consecutive month, up 5% m-o-m while food and shelter costs stayed unchanged.
Initial jobless claims – Week ended 10 th September	+71k	The increase was above market expectation (+31k). The four-week moving average was 340,750, an increase of 19,750 from the previous week's revised average of 321,000.
July Business Inventories	-0.5%	The decrease was more than the consensus forecast (-0.2%). Total business inventories/sales ratio was 1.26 (July 2004: 1.30)
Mid-September U of Michigan Consumer Sentiment Index	76.9	The figure was far below market consensus and was the lowest since 1992. It was also the largest decline in points over a two-month period since comparable records began in 1978.

Forthcoming Important Announcements / Events

19 th September 2005 (Monday)	HK US	: : :	Public Holiday – Mid-Autumn Festival Nike (NKE) – Q1 results
20 th September 2005 (Tuesday)	HK US	: : :	August Unemployment Rate Federal Reserve FOMC meeting August Housing Starts Circuit City Stores Inc. (CC) – Q2 results Goldman Sachs (GS) – Q3 results
21 st September 2005 (Wednesday)	HK US	: : :	China Merchant Holdings (0144) – Interim results China Travel International (0308) – Interim results FedEx (FDX) – Q1 results Morgan Stanley (MWD) – Q3 results
22 nd September 2005 (Thursday)	HK US	: : :	Sino Land Company Limited (0083) – Final results COSCO International Holdings (0517) – Interim results SMIC (0981) – Interim results Initial Jobless Claims – Week ended 17 th September 3com Corp (COMS) – Q1 results Oracle (ORCL) – Q1 results PalmOne, Inc. (PALM) – Q1 results
23 rd September 2005 (Friday)	HK US	: : :	August Consumer Price Index Kerry Properties Limited (0683) – Interim results Brilliance China Automotive (1114) – Interim results Foxconn International Holdings (2038) – Interim results No important announcements / events