

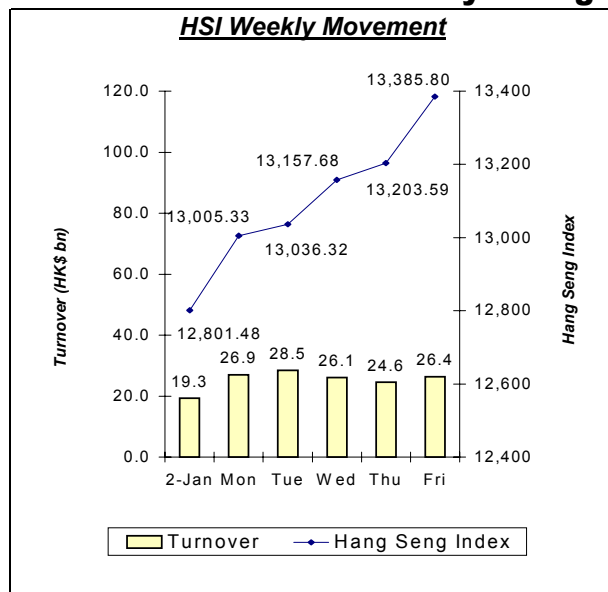
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report10th January, 2004**HSI at 2½-year high amid beefy turnover**

Weekly Market Statistics				
Week ended	09/01/2004	02/01/2004	Change	%
Hang Seng Index	13,385.80	12,801.48	+584.32	+4.6%
HS Red Chip Index	1,603.65	1,473.56	+130.09	+8.8%
HS China Enterprises Index	5,077.92	5,363.06	-285.14	-5.3%
HS Composite Index	1,723.83	1,656.50	+67.33	+4.1%
HS HK Composite Index	1,776.64	1,713.40	+63.24	+3.7%
HS Mainland Composite Index	1,644.17	1,564.83	+79.34	+5.1%
S&P/HKEx GEM Index	1,271.05	1,201.64	+69.41	+5.8%
Avg Daily Turnover (HK\$ bn)	26.49	16.56	+9.93	+60.0%
Sectoral Indices				
Finance	27,012.05	26,563.65	+448.40	+1.7%
Utilities	24,616.74	25,142.35	-525.61	-2.1%
Properties	16,382.82	15,130.62	+1,252.20	+8.3%
Comm & Ind	5,823.26	5,403.07	+420.19	+7.8%

Review & Outlook of Market Performance

Hong Kong stocks ended higher for another week, extending the winning streak to 10 days notwithstanding selling pressure in certain heavyweight H shares on concerns of further share placements. Meanwhile, trading also became hectic as funds continued to pour into the local bourse along with optimism that the city would be on its way towards economic recovery. Average daily turnover was boosted to HK\$26.49 billion this week from HK\$16.56 billion a week earlier and the HSI finished Friday at a 2½-year high of 13,385.80, up 584.32 points or 4.6% w-o-w.

Property stocks were the week's big winners, as investors were buying actively into the counters on anticipation of a government announcement of a limited resumption of land sales. On a weekly basis, Henderson Land (HK\$40.60) shot up 15.3% while SHK Properties (HK\$72.25) and Hang Lung Properties (HK\$10.90) headed up 9.1% and 7.4% respectively. Meanwhile, sentiment in the mainland telecom sector also turned better, thanks to the nation's robust economic prospect. China Mobile (HK\$27.35) reaped in 12.1% w-o-w while China Unicom (HK\$9.05) even rocketed 20.7% w-o-w. Elsewhere, COSCO Pacific (HK\$12.30) gained 13.9% this week after announcing a 45% rise in throughput in 2003.

On the H-share front, Chalco (HK\$6.05, -0.8% w-o-w) did a new-share placement during the week at a price of HK\$5.65 each. Other H shares were thus under pressure on worries that more Chinese firms would follow Chalco's footsteps and opt for share placements. Oil majors Sinopec (HK\$3.45) and PetroChina (HK\$4.25) plunged 10.4% and 12.4% while Huadian Power International (HK\$3.00) and Angang Newsteel (HK\$3.975) dropped 10.5% and 10.7% respectively.

Looking forward into next week, profit taking in blue chips seems inevitable. Investors should point to the Wall Street for more guidance, as a couple of key figures for December 2003 would be released next week (PPI on Wednesday; CPI and retail sales on Thursday) while some major US companies would announce their results (Intel, General Electric, Bank of America and Yahoo!). Without major negative surprises, we expect the HSI should seek consolidation at around 13,000 next week (the Dow was down 133 points on Friday on a poor job report for December) before going for higher levels.

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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							
9th January	10,458.89	2,086.92	10,965.05	1,852.53	825.42	783.44	6,226.98
2nd January	10,409.85	2,006.68	10,676.64	1,791.35	788.49	772.15	6,041.56
Change	+49.04	+80.24	+288.41	+61.18	+36.93	+11.29	+185.42
%	+0.5%	+4.0%	+2.7%	+3.4%	+4.7%	+1.5%	+3.1%

Index Weighting Changes (Week ended 9th January 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @09/01/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$15.45	+ HK\$1.90	+14.0%	Li & Fung has secured the rights to design, produce and distribute Official Pillowtex's Royal Velvet products, effective autumn 2004. Meanwhile, the sourcing firm has also signed a new licensing deal with Levi Strauss. The deals are expected to bring in million dollars of revenue per year.

Hang Seng China-Affiliated Corp Index (HSCCI)

Stock	Stock Code	Closing Price @09/01/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Silver Grant International Industries	0171	HK\$2.375	+ HK\$0.685	+40.5%	China Cinda Asset Management, a subsidiary of China Construction Bank, will increase its stake in Silver Grant, currently at 13.39%. Cinda will also manage its assets through Silver Grant after the deal and the latter is expected to manage assets of up to HK\$4 billion-HK\$6 billion in the next 2-3 years.
China Unicom	0762	HK\$9.05	+HK\$1.55	+20.7%	The counter shot up more than one-fifth this week after it said it would focus on the profitability of its CDMA network, rather than on subscriber growth. Meanwhile, investors also bought into the counter on laggard buying.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @09/01/04	W-O-W Change		Remarks / Comments
			Absolute	%	
China Shipping Development	1138	HK\$6.15	+ HK\$0.25	+4.2%	China Shipping Development said it could meet a 50% earnings-growth target for 2003. Meanwhile, the company has completed the 1 st phase of its business restructuring and has entered into the 2 nd phase in July 2003.

Summary of US Economic News

Indicator	Change/Index	Comments
Construction spending - November	+1.2% m-o-m	Construction spending jumped 1.2% to a seasonally-adjusted annual rate of US\$934.5 billion in November from an upwardly-revised US\$923.8 billion in October. It was the 5 th month in a row that total construction spending hit a new high.
ISM services index - December	58.6	The ISM's index of non-manufacturing activity came in at 58.6 in December, compared with 60.1 in November.
Factory orders - November	-1.4% m-o-m	Factory orders dropped 1.4% to US\$336.9 billion in November, the 1 st decline in 3 months, after rising 2.4% in October.
Wholesale inventories - November	+0.5% m-o-m	Wholesale inventories rose 0.5% in November, matching a similar gain in October and market expectations. Meanwhile, wholesale sales were up 0.3% in November, a slower pace than the previous month's 2.0% surge.
Consumer credit - November	+US\$4.1 billion m-o-m	Consumer credit rose by US\$4.1 billion in November, after a sharply-revised rise of US\$8.3 billion in October. The November figure was close to market expectations for a US\$5.0-billion advance.
Unemployment rate - December	5.7%	Unemployment rate fell to 5.7% in December from 5.9% in November.

Forthcoming Important Announcements / Events

13 th January, 2004 (Tuesday)	HK	:	China Green (0904) – trading debut
14 th January, 2004 (Wednesday)	HK	:	Exchange Fund foreign assets – December
	US	:	JCG (0626) – final results Producer price index – December Apple Computer – Q1 results Intel Corp – Q4 results Yahoo! Inc – Q4 results
15 th January, 2004 (Thursday)	HK	:	Lam Soon (Hong Kong) (0411) – final results Simson International Corporation (0993) – H1 results Yue Yuen Industrial (0551) – final results Zhu Kuan Development (0908) – H1 results
	US	:	Consumer price index – December Retail sales – December Bank of America Corp – Q4 results Fannie Mae – Q4 results FleetBoston Financial Corp – Q4 results Sun Microsystems – Q2 results Wachovia Corp – Q4 results
16 th January, 2004 (Friday)	HK	:	Hong Kong Pharmaceutical (0182) – H1 results Huafeng Textile International (0364) – final results
	US	:	Abbott Laboratories – Q4 results Advance Micro Devices – Q4 results EBay Inc – Q4 results General Electric – Q4 results Juniper Networks – Q4 results