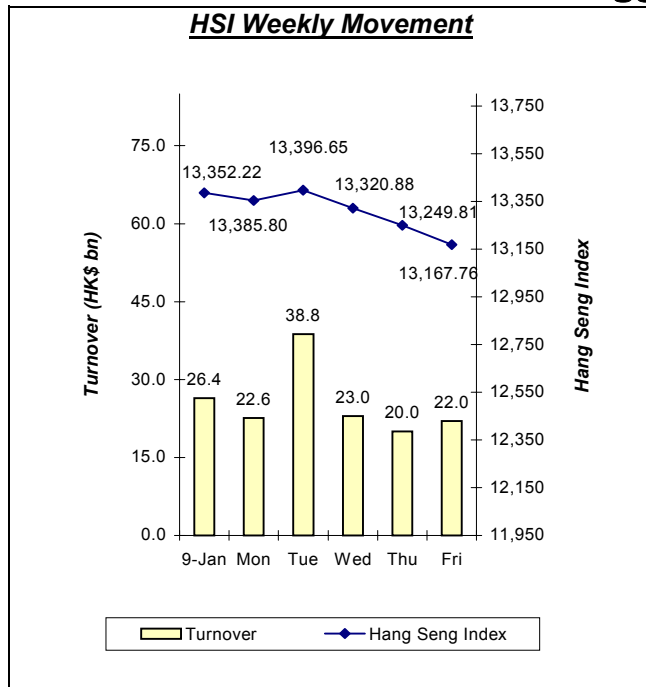


## Sell-off in H shares exaggerated by placement woes



<b>Weekly Market Statistics</b>				
Week ended	16/01/2004	09/01/04	Change	%
Hang Seng Index	13,167.76	13,385.80	-218.04	-1.6%
HS Red Chip Index	1,542.52	1,603.65	-61.13	-3.8%
HS China Enterprises Index	4,569.14	5,077.92	-508.78	-10.0%
HS Composite Index	1,689.27	1,723.83	-34.56	-2.0%
HS HK Composite Index	1,762.46	1,776.64	-14.18	-0.8%
HS Mainland Composite Index	1,558.47	1,644.17	-85.70	-5.2%
S&P/HKEX GEM	1,254.95	1,271.05	-16.10	-1.3%
Avg Daily Turnover (HK\$ bn)	25.26	26.49	-1.23	-4.6%
<b>Sectoral Indices</b>				
Finance	26,074.57	27,012.05	-937.48	-3.5%
Utilities	25,038.80	24,616.74	+422.06	+1.7%
Properties	16,859.40	16,382.82	+476.58	+2.9%
Comm & Ind	5,741.33	5,823.26	-81.93	-1.4%

## Review & Outlook of Market Performance

After reaching a 2½-year high last week, Hong Kong stocks took a breath this week on profit takings. The main culprit to the loss in the benchmark index was HSBC (HK\$121.50, -4.0% w-o-w) as several investment houses downgraded the bank's ratings, despite continuously-firm share prices in major property counters. Growing worries over SARS also dampened market sentiment as China confirmed the 2<sup>nd</sup> SARS case in just over a week. In addition, share-placement news for various companies, ranging from H shares to medium-to-small cap companies, also condemned the market. The HSI landed Friday at 13,167.76, down 1.6% or 218.04 points, with a beefy average daily turnover of HK\$25.26 billion.

Performance of blue-chip property stocks remained firm on rosy sector outlook, and investors were seen chasing select laggards. Accordingly, Cheung Kong (HK\$72.00) and Wheelock (HK\$10.95) jumped 7.5% and 10.6% respectively week-on-week. However, performance of the property stocks was capped after Henderson Land (HK\$38.80, -4.4% w-o-w) announced on Friday the issue of HK\$5-billion 1-year convertible bonds, with conversion price at HK\$48.96 per share and maturing on February 2005. In fact, this is the 2<sup>nd</sup> fund-raising exercise of Henderson Land within some 3 months' time after it placed HK\$3-billion worth of shares back in October 2003. Meanwhile, H shares were under heavy selling pressure this week on share-placement woes, with the H-share index plunging 10.0% w-o-w. On Tuesday, global oil giant BP confirmed disposing of its entire 2% stake in PetroChina at HK\$3.70 each. Plagued by the share-placement news, shares of the oil major declined 10.6% w-o-w to close at HK\$3.80. Moreover, Sinopec (HK\$3.025, -12.3% w-o-w) was also at the forefront of selling as investors worried the firm may be the next on the selling list for its strategic shareholders (including BP, Royal Dutch/Shell and ExxonMobil).

Next week will be a short 2½-trading-day week, shortened by the Lunar New Year holidays. Trading is expected to be less active and the HSI is expected to trade in a narrow range. Moreover, lingering selling pressure on H shares showed no early sign of lessening as the market is still flooded with several H-share placement news. The HSI is slated to have a good support at 13,000.

*This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein.*

**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 January	10,600.51	2,140.46	10,857.20	1,836.87	817.27	778.44	6,269.71
9th January	10,458.89	2,086.92	10,965.05	1,852.53	825.42	783.44	6,226.98
Change	+141.62	+53.54	-107.85	-15.66	-8.15	-5.00	+42.73
%	+1.35%	+2.57%	-0.98%	-0.85%	-0.99%	-0.64%	+0.69%

**Index Weighting Changes (week ended 16<sup>th</sup> January 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/01/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
MTRC	0066	HK\$12.50	+HK\$1.00	+8.7%	Shares of the railway operator were snapped up by investors after it said it would participate in the 6-billion-yuan metro subway project in Shenzhen. The rail deal also includes some real-estate-development rights.

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

Stock	Stock Code	Closing Price @16/01/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Chalco	2600	HK\$5.25	-HK\$0.80	-13.2%	The aluminium & alumina maker was punished as it said it would need to pay higher prices for electricity this year.
Jiangxi Copper	0358	HK\$3.800	-HK\$0.925	-19.6%	The copper producer plunged this week on continued fears that it would place shares after it received shareholders' approval to issue no more than 20% of new H shares.
Maanshan Iron & Steel	0323	HK\$2.950	-HK\$0.425	-14.4%	The iron & steel producer faced heavy selling pressure after Nippon Steel agreed to pay a rise of over 18% to purchase iron ores from Australian suppliers this year.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Producer price index - December	+0.3% m-o-m	Producer price index for finished goods rose 0.3% in December, reversing a 0.3% decline in November.
Trade balance - November	US\$38.01-billion deficit	In November, trade gap unexpectedly narrowed 8.6% from the previous month to US\$38.01 billion.
Consumer price index - December	+0.2% m-o-m	Consumer price index rose 0.2% in December after declining 0.2% in November.
Retail sales - December	+0.5% m-o-m	Retail sales rose 0.5% in December after jumping a revised 1.2% in November.
Business inventories - November	+0.3% m-o-m	Business inventories rose 0.3% in November. The 0.3% boost in inventories was slightly stronger than the forecast 0.2% rise.
Industrial production - December	+0.1% m-o-m	Industrial production rose by only 0.1% in December, slowing from the previous month's 1% jump.

**Forthcoming Important Announcements / Events**

19 <sup>th</sup> January 2004 (Monday)	<b>HK</b>	:	<b>Unemployment rate- October-to-December period</b> Ezcom (0312) - interim results Global Tech (0143) - final results QPL International (0243) - interim results
	<b>US</b>	:	Martin Luther King holiday First Bankcorp - Q4 results
20 <sup>th</sup> January 2004 (Tuesday)	<b>HK</b>	:	<b>Consumer price index- December</b> Ming Fung Jewellery (0860) - final results
	<b>US</b>	:	3M Co - Q4 results Bank Mutual Corp - Q4 results <b>Bank One Corp - Q4 results</b> Charles Schwab - Q4 results <b>Citigroup- Q4 results</b> General Motors - Q4 results Johnson & Johnson - Q4 results Motorola - Q4 results US Bancorp - Q4 results
21 <sup>st</sup> January 2004 (Wednesday)	<b>US</b>	:	Housing starts- December <b>Bank New York- Q4 results</b> Capital One Financial - Q4 results E*Trade Financial - Q4 results Ebay - Q4 results Fannie Mae - Q4 results Harley Davidson - Q4 results <b>JP Morgan Chase - Q4 results</b> <b>Merrill Lynch - Q4 results</b> Qualcomm - Q1 results Starbucks - Q1 results Symantec - Q3 results
22 <sup>nd</sup> January 2004 (Thursday)	<b>HK</b>	:	Lunar New Year holiday
	<b>US</b>	:	<b>Leading indicators- December</b> AT&T- Q4 results Eastman Kodak- Q4 results Ford Motor- Q4 results <b>Microsoft - Q2 results</b> <b>Pfizer- Q4 results</b>
23 <sup>rd</sup> January 2004 (Friday)	<b>HK</b>	:	Lunar New Year holiday