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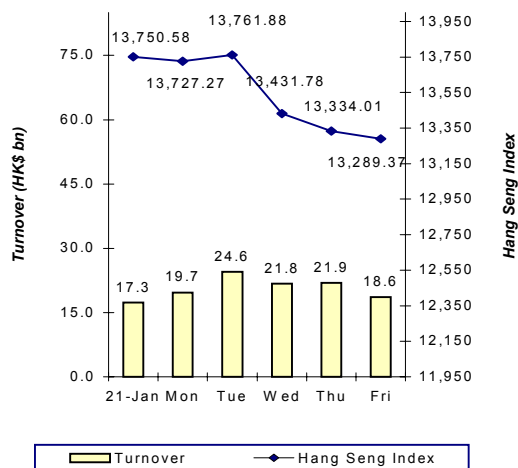
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Weekly Report

31st January, 2004

Bird-flu fears and share-placement news doomed the market

HSI Weekly Movement



Weekly Market Statistics

Week ended	30/01/2004	21/1/2004	Change	%
Hang Seng Index	13,289.37	13,750.58	-461.21	-3.4%
HS Red Chip Index	1,550.40	1,637.42	-87.02	-5.3%
HS China Enterprises Index	4,597.72	4,963.03	-365.31	-7.4%
HS Composite Index	1,709.62	1,770.80	-61.18	-3.5%
HS HK Composite Index	1,785.16	1,836.48	-51.32	-2.8%
HS Mainland Composite Index	1,573.63	1,660.85	-87.22	-5.3%
S&P/HKEX GEM	1,289.52	1,301.26	-11.74	-0.9%
Avg Daily Turnover (HK\$ bn)	21.30	19.32	+1.98	+10.3%
Sectoral Indices				
Finance	26,207.84	26,798.27	-590.43	-2.2%
Utilities	25,803.32	25,258.32	+545.00	+2.2%
Properties	17,236.09	18,059.93	-823.84	-4.6%
Comm & Ind	5,779.60	6,077.13	-297.53	-4.9%

Review & Outlook of Market Performance

After ending the Year of Ram at a new 2½-year high last week, the local bourse was sharply lower this week. Hong Kong stocks were firm early in the week but were then rattled by the fears of bird flu as the virus emerged in the mainland. Moreover, investors were also unsettled by a rash of share-placement news, triggering heavy profit-taking ahead of the expiry of the January HSI futures contracts on Wednesday. Also adding salts on the wound was comment from the US Fed that indicated it might be nearing an interest-rate hike. Weighing on the market were losses in heavyweights HSBC (HK\$121.50, -2.8% w-o-w), Hutchison Whampoa and China Mobile (HK\$25.50, -8.3%). In particular, the mainland mobile carrier plunged this week amid rumours that an investors of the firm would sell 40 million shares at a discount at HK\$24.50 each. Amid so many negatives in the market, the HSI lost 461.21 points, or 3.4%, over the week to land Friday at 13,289.37. Average daily turnover was HK\$21.3 billion.

During the week, Hutchison Whampoa announced the injection of its fixed-line unit Hutchison Global Crossing (HGC) into Vanda Systems at a total consideration of HK\$7.1 billion by receiving 4.875 billion new Vanda shares worth HK\$3.9 billion and HK\$3.2-billion convertible bond (at a conversion price of HK\$0.96). After the news, Vanda Systems resumed trading on Thursday to finish at HK\$1.52, up sharply by 36.9% from its last closing price on 13th January. Following the deal and after the market close on Thursday, Hutchison, Cheung Kong and CLP (HK\$37.60, +1.1% w-o-w) jointly placed 2 billion Vanda shares at HK\$0.90 each to institutional investors. The completion of the HK\$1.8-billion placement is pending the approval of the HGC injection deal by Vanda's shareholders.

There were other share-placement news in the market, including the placement of 14.45 million Wing Hang Bank (HK\$49.90, -8% w-o-w) shares at HK\$50.615 apiece by its major shareholder Bank of New York as well as the placement of 500 million shares of Guangzhou Investment (HK\$0.92, -6.1% w-o-w) shares at HK\$0.95 each by its parent Yue Xiu Enterprises. In addition, China Overseas (HK\$1.75, -8.9% w-o-w) placed 850 million shares at HK\$1.80 per share for net proceeds of HK\$1.5 billion to fund its China property investment.

Next week, there will be many important economic figures (personal income, ISM manufacturing & services index and unemployment rate) to be released in the US. Any negative surprises will undoubtedly add pressure on the local market. Moreover, the rapid sweep of bird flu and a flock of possible share-placement news did make investors nervous and cautious. The HSI is expected to consolidate further before there is a clear sign about the development and damages of the bird-flu spread in the region. The next critical support level for the key index should be 13,000.

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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							
30th January	10,488.07	2,066.15	10,783.61	1,848.36	818.94	698.90	6,375.38
23rd January	10,568.29	2,123.87	11,069.01	1,889.56	824.66	754.44	6,269.71
Change	-80.22	-57.72	-285.40	-41.20	-5.72	-55.54	+105.67
%	-0.76%	-2.72%	-2.58%	-2.18%	-0.69%	-7.36%	+1.69%

Note: The close for Taiwan stock market for the comparison was as of 16/01/2004.

The closes for Malaysia and Singapore stock markets for the comparisons were as of 21/01/2004.

Index Weighting Changes (week ended 30th January 2004)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @30/01/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Cheung Kong	0001	HK\$72.25	-HK\$5.25	-6.8%	Property counters succumbed to a bout of profit-taking after their recent rallies. Share-placement news of China Overseas did lead some punters take profits from the property sector.
SHK Properties	0016	HK\$75.00	-HK\$2.50	-3.2%	
Henderson Land	0012	HK\$39.50	-HK\$1.80	-4.4%	
Hutchison Whampoa	0013	HK\$64.75	-HK\$3.50	-5.1%	After jumping over 6% last week, the telecoms-to-ports conglomerate fell prey to profit-taking amid the weakened sentiment. The news that it would likely to make a quick HK\$1.6-billion profit from the placement of Vanda Systems' shares did not help much.
Cathay Pacific	0293	HK\$14.25	-HK\$0.80	-5.3%	The local airliner dropped this week amid the bird-flu fears in the region, despite that it said it had not seen any sudden or abnormal changes to bookings.
Legend	0992	HK\$3.750	+HK\$0.175	+4.9%	The top PC maker went up this week after IDC said its PC shipment increased more than 19% in the 4 th quarter of 2003.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @30/01/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
China Eastern Airlines	0670	HK\$1.40	-HK\$0.04	-2.8%	The 2 mainland airlines fell this week since the bird flu outbreak has emerged in Guangxi Zhuang autonomous region. China Southern took the brunt heavier as it based in Guangdong province.
China Southern Airlines	1055	HK\$3.500	-HK\$0.375	-9.7%	
China Telecom	0728	HK\$2.875	-HK\$0.375	-11.5%	The mainland fixed-line operator was thumped lower amid weaknesses on the mainland telecom stocks and the continued meagreness in H shares.

Summary of US Economic News

Indicator	Change/Index	Comments
Existing-home sales - December	+6.9% m-o-m	Sales of existing homes rose 6.9% to a seasonally-adjusted annual rate of 6.47 million units in December from a revised 6.05-million-unit pace in November.
Consumer confidence - January	96.8	Consumer-confidence index rose to 96.8 in January, the highest level since mid-2002, following a dip in December to a revised reading of 91.7.
Durable-goods orders - December	Flat m-o-m	Durable-goods orders were flat in December after falling a revised 2.3% in the previous month. Market had been expecting a solid increase of 2.0% in the month.
New-home sales - December	-5.1% m-o-m	New home sales dropped 5.1% to a seasonally-adjusted 1.060-million-unit annual rate in December from an upwardly-revised rate of 1.117 million units in November.
GDP (advance) - Q4	+4% q-o-q	Economic growth slowed to a 4% annual rate in the 4 th quarter of 2003, less than half the 3 rd -quarter pace of 8.2% as consumers curbed their spending.

Forthcoming Important Announcements / Events

2 nd February 2004 (Monday)	US	:	Personal income- December Personal spending- December ISM manufacturing index- January Construction spending- December Sohu.com- Q4 results
3 rd February 2004 (Tuesday)	US	:	Chubb Group- Q4 results Cisco Systems- Q2 results Colgate-Palmolive- Q4 results Mattel- Q4 results Timberland- Q4 results Sina Corp- Q4 results Whirlpool- Q4 results
4 th February 2004 (Wednesday)	US	:	Factory orders- December ISM services index- January Anheuser Busch- Q4 results Janus Capital- Q4 results Moody's Corp- Q4 results Polo Ralph Lauren- Q3 results Tommy Hilfiger- Q3 results Walt Disney- Q1 results
5 th February 2004 (Thursday)	HK US	: :	Manulife (0945)- final results PepsiCo- Q4 results
6 th February 2004 (Friday)	HK US	: :	Retail sales- December Unemployment rate- January Cigna Corp- Q4 results US Airways- Q4 results