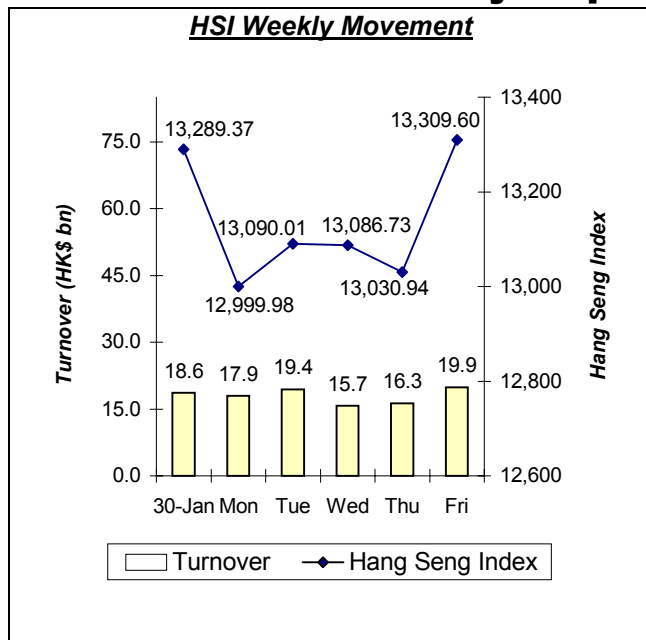


## A late rally helped the HSI finish flat



<b>Weekly Market Statistics</b>				
Week ended	06/02/2004	30/01/2003	Change	%
Hang Seng Index	13,309.60	13,289.37	+20.23	+0.2%
HS Red Chip Index	1,534.24	1,550.40	-16.16	-1.0%
HS China Enterprises Index	4,765.67	4,597.72	+167.95	+3.7%
HS Composite Index	1,716.89	1,709.62	+7.27	+0.4%
HS HK Composite Index	1,793.92	1,785.16	+8.76	+0.5%
HS Mainland Composite Index	1,577.44	1,573.63	+3.81	+0.2%
S&P/HKEx GEM Index	1,275.99	1,289.52	-13.53	-1.0%
Avg Daily Turnover (HK\$ bn)	17.85	21.30	-3.45	-16.2%
<b>Sectoral Indices</b>				
Finance	26,311.75	26,207.84	+103.91	+0.4%
Utilities	25,841.97	25,803.32	+38.65	+0.1%
Properties	17,452.43	17,236.09	+216.34	+1.3%
Comm & Ind	5,753.59	5,779.60	-26.01	-0.5%

### Review & Outlook of Market Performance

The local bourse began the week in a meagre form as worries over the spread of the bird flu across Asia and lingering concerns about further share placements continued to unsettle investors. Indeed, investor sentiment had been cautious ahead of the beginning of the blue-chip results-reporting season next week. Nevertheless, a strong rebound on Friday helped trim the losses in the HSI, with a late buying spree into the property counters providing support to the blue-chip index (HS Properties Sub-index: +1.3% w-o-w). News of strong flat sales, especially the luxury properties, helped give a boost to the property sector. The benchmark index closed the week flat at 13,309.60, up 20.23 points or 0.2% w-o-w. Amid the cautiousness in trading, average daily turnover dropped to HK\$17.85 billion.

During the week, ICBC (Asia) has conducted a top-up placement of 124.874 million shares, or 16.67% of its enlarged share capital, at HK\$11.25 each to raise HK\$1.4 billion to fund its acquisition of Fortis Bank Asia HK's retail and commercial operations. Shares of the bank closed the week at HK\$11.45, down 5.4% w-o-w.

China Life Insurance took the market limelight this week after news that its predecessor firm was involved in massive accounting irregularities and that regulators may look into the book of Hong Kong-listed unit. Undermined by the negative news, the mainland largest life insurer finished the week at HK\$5.30, down 7.0% w-o-w. On the other hand, other H shares rode on the roller coaster this week on volatile trading. Tracking the broader market's upswing on Friday, the recently-battered H shares attracted keen buying interests by the end of the week and the HSCEI finished at 4,765.67, up 3.7% on week. On the other hand, the HSCCI ended this week down 1.0% at 1,534.24. Investors were seen cashing out from mainland automakers, Denway Motors (HK\$8.40, -7.7%) and Brilliance China (HK\$3.825, -7.3%), following their strong share-price performance in the past few months.

Market focus should be on the 2003 final-results announcement of The Bank of East Asia (HK\$24.60, +2.9% w-o-w) next Tuesday (10<sup>th</sup> February), kicking start the results-reporting season for local banks, while global fashion retailer and wholesaler Esprit (HK\$26.65, +5.5% w-o-w) will also unveil its interim results for the 6 months ended 31<sup>st</sup> December 2003 next Wednesday (11<sup>th</sup> February). In addition, the HSI Service Company will announce the results of the quarterly review of HSI constituents next Friday. Without major disappointments from the result announcements nor further spread of the bird flu, the HSI is expected to range trade between 13,000 and 13,500 in the near term.

*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 6th February 30th January	10,593.03 10,488.07	2,064.01 2,066.15	10,460.92 10,783.61	1,854.41 1,848.36	815.42 818.94	711.15 698.90	6,353.35 6,375.38
Change %	+104.96 +1.00%	-2.14 -0.10%	-322.69 -2.99%	+6.05 +0.33%	-3.52 -0.43%	+12.25 +1.75%	-22.03 -0.35%

**Index Weighting Changes (Week ended 6<sup>th</sup> February 2004)**
**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @06/02/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$26.65	+HK\$1.40	+5.5%	Shares of the retailer were bid up this week on expectation of a strong set of interim results to be released next Wednesday.

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

Stock	Stock Code	Closing Price @06/02/04	W-O-W Changes		Remarks / Comments
			Absolute	%	
Jiangxi Copper	0358	HK\$4.775	+HK\$0.625	+15.1%	The company issued a statement denying that it planned to issue new H shares.
Yanzhou Coal	1171	HK\$7.85	+HK\$0.90	+12.9%	The coal miner said sales in 2003 were up 12.4%, while average price for domestic sale contracts for 2004 was up 9.9% from 2003.
Beijing Yanhua	0325	HK\$3.000	+HK\$0.325	+12.1%	Petrochemical stocks surged this week on bullish expectations of stronger financial performance in the sector this year.
Shanghai Petrochemical	0338	HK\$3.475	+HK\$0.250	+7.8%	
Zhenhai Refining	1128	HK\$7.50	+HK\$0.65	+9.5%	
TravelSky Technology	0696	HK\$7.75	-HK\$0.75	-8.8%	Investors worried that the bird flu may hurt the travel-related IT firm's business.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Personal income - December	+0.2% m-o-m	Personal income rose 0.2% in December after increasing a revised 0.3% in November. Personal spending increased 0.4% in December after jumping a revised 0.5% in November.
Personal spending - December	+0.4% m-o-m	
ISM manufacturing index - January	63.6	The ISM manufacturing index rose to 63.6 in January, the highest reading since December 1983, from a revised 63.4 in December.
Construction spending - December	+0.4% m-o-m	Construction spending increased 0.4% in December, following a downwardly-revised 0.5% rise in November.
Factory orders - December	+1.1% m-o-m	Factory orders rose 1.1% in December after falling a revised 0.9% in November.
ISM services index - January	65.7	The ISM services index rose to 65.7 in January from a revised 58 in December, indicating accelerated growth in the US services sector.
Unemployment rate - January	5.6%	Unemployment rate fell to 5.6% in January, the lowest level since October 2001 and matching the rate in January 2002, from 5.7% in December.
Consumer credit - December	+US\$6.6 billion m-o-m	Consumer credit increased US\$6.6 billion in December, following a downwardly-revised US\$1.8-billion growth in November.

**Forthcoming Important Announcements / Events**

9 <sup>th</sup> February, 2004 (Monday)	<b>HK</b>	: Blu Spa (8176) – interim results DIGITALHONGKONG.COM (8007) – interim results FX Creations International (8136) – interim results ITE Holdings (8092) – Q3 results
	<b>US</b>	: <b>Wholesale inventories – December</b> Alcan Inc – Q4 results Lincoln National Corp – Q3 results
10 <sup>th</sup> February, 2004 (Tuesday)	<b>HK</b>	: <b>The Bank of East Asia (0023) – final results</b> Cyber On-Air Group (8395) – interim results HK6 Holdings (8206) – Q3 results hongkong.com (8006) – final results
	<b>US</b>	: Clorox Co – Q2 results Hughes Electronics Corp – Q4 results Marriott International Inc – Q4 results Metlife Inc – Q4 results <b>Prudential Financial Inc – Q4 results</b> Viacom Inc – Q4 results XL Capital Ltd – Q4 results
11 <sup>th</sup> February, 2004 (Wednesday)	<b>HK</b>	: EEG (8078) – Q3 results <b>Esprit Holdings (0330) – interim results</b> <b>SUNeVision (8008) – interim results</b>
	<b>US</b>	: Alcon Inc – Q4 results American International Group Inc – Q4 results AON Corp – Q4 results <b>Coca-Cola Co – Q4 results</b> Fox Entertainment Group Inc – Q2 results <b>Walt Disney Co – Q1 results</b>
12 <sup>th</sup> February, 2004 (Thursday)	<b>HK</b>	: Automated Systems (0771) – Q3 results Creative Energy (8109) – interim results Henderson Cyber (8023) – interim results Kim Eng Holdings (Hong Kong) (0727) – final results Riverhill Holdings (8127) – interim results Tianjin Capital Environmental Protection (1065) – final results
	<b>US</b>	: Business inventories – December <b>Retail sales – January</b> Aetna Inc – Q4 results Baker Hughes Inc – Q4 results COX Communications Inc – Q4 results <b>Dell Inc – Q4 results</b> Loews Corp – Q4 results May Department Stores Co – Q4 results Safeway Inc – Q4 results
13 <sup>th</sup> February, 2004 (Friday)	<b>HK</b>	: <b>Quarterly review of the HSI constituents</b> Golden Meditech (8180) – Q3 results iMerchants (8009) – Q3 results iSteelAsia (8080) – Q3 results M Channel (8036) – Q3 results Vodatel Network (8033) – interim results
	<b>US</b>	: Trade balance – December <b>Campbell Soup Co – Q2 results</b> IVAX Corp – Q4 results Masco Corp – Q4 results