

**BEA securities**

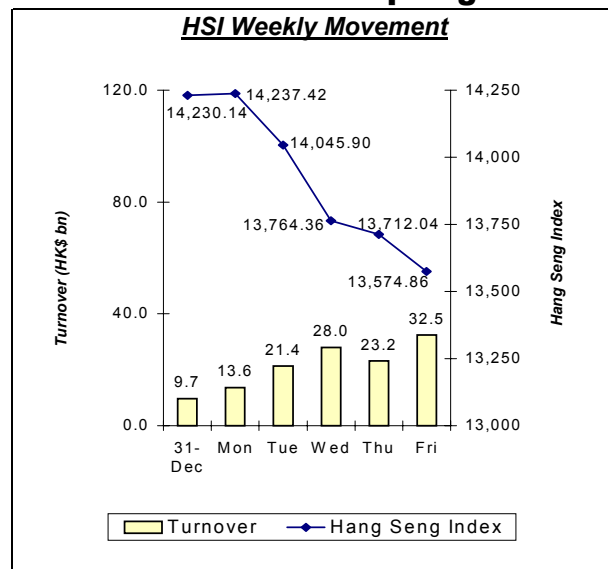
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report8th January 2005**Market plunged on concern of funds outflow****Weekly Market Statistics**

Week ended	08/01/2005	31/12/2004	Change	%
Hang Seng Index	13,574.86	14,230.14	-655.28	-4.6%
HS Red Chip Index	1,445.14	1,556.88	-111.74	-7.2%
HS China Enterprises Index	4,513.03	4,741.32	-228.29	-4.8%
HS Composite Index	1,749.59	1,831.99	-82.40	-4.5%
HS HK Composite Index	1,878.55	1,954.11	-75.56	-3.9%
HS Mainland Composite Index	1,493.49	1,592.09	-98.60	-6.2%
S&P/HKEx GEM Index	949.57	988.60	-39.03	-3.9%
Avg Daily Turnover (HK\$ bn)	23.73	13.69	+10.04	+73.4%
Sectoral Indices				
Finance	27,486.40	28,237.74	-751.34	-2.7%
Utilities	29,878.88	30,773.43	-894.55	-2.9%
Properties	16,939.16	18,177.59	-1,238.43	-6.8%
Comm & Ind	5,693.75	6,076.78	-383.03	-6.3%

Review & Outlook of Market Performance

Hong Kong market plunged on concern of funds outflow amid strengthening of U.S. dollar. During the week, US dollar rebounded sharply against major currencies on the Federal Reserve's hawkish interest rate comments. While hopes that RMB might appreciate seemed to be running out of steam, rumour had it that hedge funds started unwinding their carry-trade positions, i.e. selling Hong Kong dollar assets and paying back their U.S. dollar loans. The HSI sagged 655.28 points, or 4.60% w-o-w, to close at 13,574.86. Average daily turnover increased substantially to HK\$23.73 billion as compared with HK\$13.69 billion from the previous week.

Heavy selling was seen across the board, especially among counters that were top gainers last year as investors sought to lock in profits. For instance, Esprit (0330) sank 5.32% w-o-w to close at HK\$ 44.50. Cosco Pacific (1199), another top performer last year, also plummeted 10.87% w-o-w to HK\$14.35. Interest rate sensitive counters like banks and properties were also under pressure. Hang Seng financial sub-index dropped 2.66% to 27,486.40 while the Hang Seng properties sub-index fell 6.81% to 16,939.16.

During the week, major switching activities were also witnessed among institutional investors. The most prominent one was the switching from China Mobile (0941) to China Netcom (0906). Last Thursday, two major US brokerages initiated coverage of China Netcom with overweight rating and one of them set its 12-month target price to HK\$15.60 that implied a 55% upside. China mobile ended the week with 8.92% loss to close at HK\$24.00 while China Netcom gained 1.90% w-o-w at HK\$10.75.

On the H-shares front, HSCEI dropped 228.29 points, or 4.81% w-o-w to 4,513.03. Commodities related counters was particularly hard hit as global commodities prices fell sharply on the rebound of the US dollar and on worries that China might restrain its demand this year. Counters like Maanshan Iron (0323), Jiangxi Copper (0358) and Zijing Mining (2899) all recorded w-o-w losses from 7.50% to 12.77%. HSCCI dropped 7.17% w-o-w to 1,445.14.

With weak market breath and increased turnover, HSI is more likely to test its next support level at 13,400 than to pose any significant rebound. A new round of US earnings announcements and the move of the US dollar could bring volatility to the Hong Kong market next week.

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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							
8th January	10,603.96	2,088.61	11,433.24	2,085.58	916.28	698.50	5,935.99
31st December	10,800.30	2,178.34	11,488.76	2,066.14	907.43	668.10	6,139.69
Change	-196.34	-89.73	-55.52	+19.44	+8.85	+30.40	-203.70
%	-1.8%	-4.1%	-0.5%	+0.9%	+1.0%	+4.6%	-3.3%

Major Changes in Index Constituent Stocks (Week ended 8th January 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @08/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$44.50	-HK\$2.50	-5.32%	Top gainers of last year got sold off on profit taking.
Cosco Pacific	1199	HK\$14.35	-HK\$1.75	-10.87%	
China Mobile	0941	HK\$24.00	-HK\$2.35	-8.92%	Institutional investors switched from the counter to China Netcom (0906).

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @08/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron	0323	HK\$2.775	-HK\$0.225	-7.50%	Prices of commodities fell sharply as US dollar experienced a strong rebound last week.
Jiangxi Copper	0358	HK\$4.050	-HK\$0.375	-8.47%	
Zijin Mining	2899	HK\$3.075	-HK\$0.450	-12.77%	

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @08/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
COFCO International	0506	HK\$3.85	+HK\$0.525	+15.79%	Its parent is buying a controlling stake in Shenzhen listed Baoheng (000031.CH) as a listing vehicle for its logistics and foodstuff operations. The company also announced top management reshuffle.

Indicator	Change /Index	Comments
November Construction Spending	-0.3%	The number was worse than market consensus (+0.5%) and the revised figure (-0.1%) of October.
November Factory Orders	+1.2%	The increase was higher than consensus (+0.8%). Among major categories, transportation equipment recorded the largest increase (+8.8%) due to new orders of non-defence aircraft and parts.
Initial Jobless Claims – Week ended 1 st January	+43k	The increase was more than market consensus (+8k). The 4-week moving average was 333,000, an increase of 750 from the previous week's revised average of 332,250.
December Non-farm Payroll	+157k	The increase was less than consensus forecast (+175k). It mainly came from the gains in healthcare and social assistance, professional and business services, wholesale trade and financial services.
December Unemployment Rate	5.4%	The figure met the market consensus (5.4%) and was unchanged from the previous month.

10 th January 2005 (Monday)	HK US	: :	Waderly International Holdings Ltd. (0607) – H1 results November Wholesale Trade Aloca, Inc. (AA) – Q4 results Nortel Networks (NT) – Q4 results
11 th January 2005 (Tuesday)	HK US	: :	No Important Announcements / Events Intel Corporation (INTC) – Q4 results
12 th January 2005 (Wednesday)	HK US	: :	JCG Holdings (0626) – Final results Netel Technology Holdings Ltd. (8256) – H1 results November International Trade Gap Apple Computer, Inc (AAPL) – Q1 results Infosys Technologies Ltd. (INFY) – Q3 results
13 th January 2005 (Thursday)	HK US	: :	Eco-Tek Holdings Ltd. (8169) – Final results December Retail and Food Sales Initial Jobless Claims – Week ended 8 th January Sun Microsystems (SUNW) – Q2 results
14 th January 2005 (Friday)	HK US	: :	Exchange Fund Balance Sheet Data for December December Producer Price Index November Business Inventories December Industrial Production December Capacity Utilization