

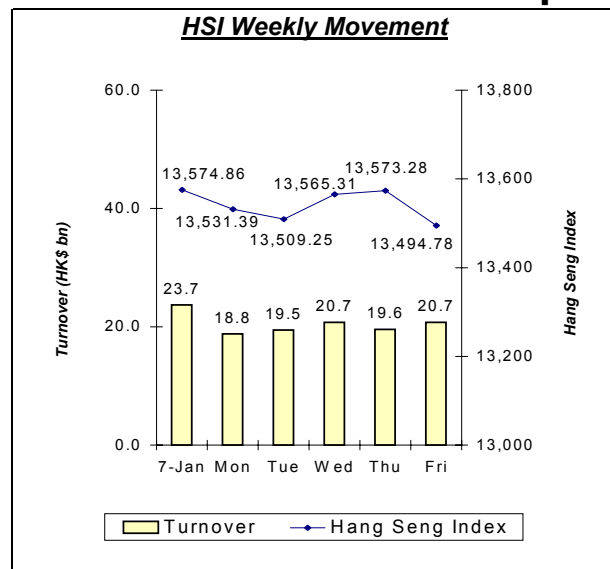
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HONG KONG RESEARCH**Restricted circulation**

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Weekly Report15th January 2005**Fears for Capital Outflow Continue**

<u>Weekly Market Statistics</u>				
Week ended	14/01/2005	07/01/2005	Change	%
Hang Seng Index	13,494.78	13,574.86	-80.08	-0.6%
HS Red Chip Index	1,446.31	1,445.14	+1.17	+0.1%
HS China Enterprises Index	4,540.60	4,513.03	+27.57	+0.6%
HS Composite Index	1,739.92	1,749.59	-9.67	-0.6%
HS HK Composite Index	1,862.74	1,878.55	-15.81	-0.8%
HS Mainland Composite Index	1,497.09	1,493.49	+3.60	+0.2%
S&P/HKEx GEM Index	971.13	949.57	+21.56	+2.3%
Avg Daily Turnover	19.87	23.73	-3.86	-16.3%
(HK\$ bn)				
Sectoral Indices				
Finance	27,134.59	27,486.40	-351.81	-1.3%
Utilities	30,087.91	29,878.88	+209.03	+0.7%
Properties	16,733.08	16,939.16	-206.08	-1.2%
Comm & Ind	5,703.62	5,693.75	+9.87	+0.2%

Review & Outlook of Market Performance

HKSAR chief executive Tung Chee-hwa delivered the annual policy address on Wednesday saying that the HK economy is on track of recovery. However, the local stock market remained in the negative territory, as investors' fear of stronger USD and aggressive interest rate hikes in the US leading to capital outflows stayed put. Hang Seng Index had slumped to as low as 13,352.71 during the week, a low not seen since early November 2004. Limited bargain hunting helped reverse some of the losses but failed to buck the downward trend. Hang Seng Index finally closed at 13,494.78, down 80.08 points or 0.6% w-o-w. Average daily turnover was HK\$19.48 billion, down from HK\$23.73 billion in the previous week.

HSBC Holdings (0005) surprisingly lost its bid for Korea First Bank to Standard Chartered (2888). Both counters fell after the result. HSBC dropped 1.54% w-o-w to HK\$127.5 while Standard Chartered slipped 2.87% to HK\$135.5 after the Bank announced its plan for placing 117.9 million shares at 920 pence to fund part of the acquisition. Meanwhile, Hutchison Whampoa (0013) was closely watched, after exchange data showed that chairman Li Ka-shing and group managing director Canning Fok had bought 5.72 million and 1.8 million company shares in the previous week respectively. Li has been boosting his stake in Hutchison since the last result announcement in August, as he claimed being optimistic about the outlook of the company's 3G business. Hutchison closed at HK\$70.0, inching up 0.72% w-o-w.

Macau-related stocks plunged during the week, as investors dumped the shares after casino tycoon Stanley Ho warned share prices were getting a bit crazy. Macau plays rebounded slightly in the later week, but market watchers said it might be simply a "dead-cat bounce". Shun Tak Holdings (0242) ended 11.25% down w-o-w at HK\$7.10 while K. Wah International (0173) slumped 18.80% w-o-w to HK\$2.375. A-Max (0959) was down 27.27% at HK\$2.00, before trading was suspended on Friday.

During the week, the US announced that its trade deficit worsened in November, lessening the possibility of a sharp rebound of the USD. Accordingly, fear on aggressive capital outflow from the HK stock market in the near term alleviated a bit. The HSI has dropped 5.17% year-to-date, and the market may experience a technical rebound soon. But the near term upside of the market may be capped at 13,800.

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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 14th January	10,558.00	2,087.91	11,438.39	2,076.13	929.74	701.66	5,889.52
7th January	10,603.96	2,088.61	11,433.24	2,085.58	916.28	698.50	5,935.99
Change	-45.96	-0.70	+5.15	-9.45	+13.46	+3.16	-46.47
%	-0.4%	-0.0%	+0.0%	-0.5%	+1.5%	+0.5%	-0.8%

Major Changes in Index Constituent Stocks (Week ended 14th January 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @14/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Yue Yuen Industrial	0551	HK\$22.0	+HK\$0.85	+4.02%	The Group reported a net consolidated operating revenue of US\$283.65 million in December, bringing the total operating revenue in 2004 to US\$2.82 billion. It will release its FY2004 final results next Tuesday.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @14/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Huadian Power	1071	HK\$2.225	-HK\$0.075	-3.26%	Sources said Huadian Power plans to raise at least RMB800 million in the A-share market this month. However, the issue is seen only luring limited interests, as rising coal costs would keep depressing its profit margins.
China Eastern Airlines	0670	HK\$1.59	-HK\$0.07	-4.22%	China Eastern Airlines reported that Dec passengers totalled 1.25 million, up only 1.94% from a year earlier.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @14/01/05	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL International	1070	HK\$1.70	-HK\$0.25	-12.82%	Sell-off in the counter accelerated after it failed to hold near HK\$2.0 per share, a key technical support level.
Tianjin Development	0882	HK\$3.40	+HK\$0.225	+7.09%	Tianjin Development will spin off its 67%-owned wine making unit, Dynasty Fine Wines, for an IPO in HK.



Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale trade – November	+0.7%	Wholesale sales rose 0.7% in Nov, matching the rise in wholesale inventory.
Trade balance – November	-US\$60.3 billion	US trade deficit totaled US\$60.3 billion in Nov, up from a deficit of US\$56 billion in Oct and much higher than the market expectations of a deficit of US\$54 billion.
Retail sales – December	+1.2%	Retail sales rose 1.2% m-o-m in Dec, up from a mere gain of 0.1% in Nov and beating consensus forecast of 1.1%.
Initial jobless claims – week ended 8 th January 2005	+10,000	Initial jobless claims rose 10,000 to 367,000. Market had forecast a drop to 340,000.
Industrial production – December	+0.8%	IP gained 0.8% in Dec and 4.1% in 2004, the best annual growth in four years.
Capacity utilization – December	79.2%	Capacity utilization rate rose to 79.2% in Dec, beating consensus forecast of 78.9%.

Forthcoming Important Announcements / Events

17 th January 2005 (Monday)	HK : US :	HuaFeng (0364) – Final results PetroChina (0857) – Production and operational data highlights for 2004 Simsen International (0993) – Interim results Martin Luther King Jr holiday Charles Schwab – Q4 results E*Trade Financial – Q4 results
18 th January 2005 (Tuesday)	HK : US :	Neo China Group (0563) – Interim results Yue Yuen Industrial (0551) – Final results Unemployment statistics for Oct-Dec 2004 3M Co. – Q4 results AMD – Q4 results Bank of America Corp. – Q4 results IBM – Q4 results Merrill Lynch & Co. Inc. – Q4 results Motorola Inc. – Q4 results Yahoo! Inc. – Q4 results
19 th January 2005 (Wednesday)	HK : US :	China Green (0904) – Interim results Lam Soon (HK) (0411) – Interim results Ming Fung Jewel (0860) – Final results Water Oasis Group (1161) – Final results General Motors Corp. – Q4 results JP Morgan Chase & Co. – Q4 results Lucent Technologies Inc. – Q4 results Consumer price index – December 2004 Housing starts – December 2004 Beige Book – December 2004
20 th January 2005 (Thursday)	HK : US :	E2-Capital (0378) – Final Results AT&T – Q4 results Ford Motor Co – Q4 results Initial jobless claims – the week ended 15 th January 2005
21 st January 2005 (Friday)	HK : US :	Mae Holdings (0851) – Interim results Consumer price index – December 2004 General Electric Co. – Q4 results United Technologies Group – Q4 results University of Michigan consumer sentiment index (preliminary) – January 2005