

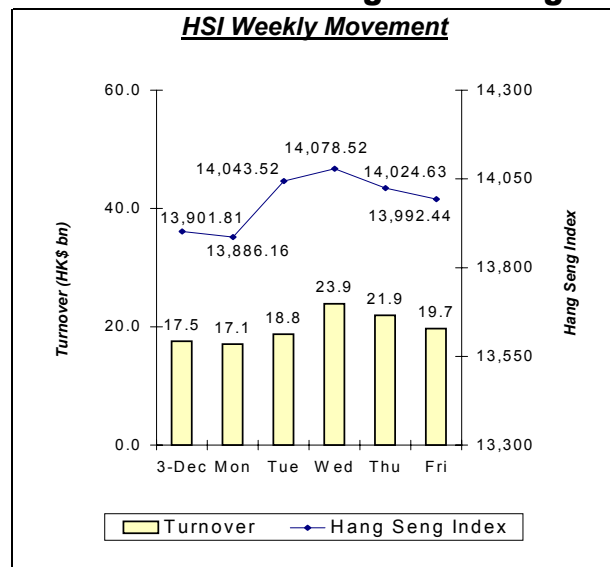
**BEA securities****EAST ASIA SECURITIES COMPANY LIMITED**

8/F, 10 Des Voeux Road Central, Hong Kong.

Dealing: 2842 3475 Research: 2842 3198 Facsimile: 2845 1606

HONG KONG RESEARCH**Restricted circulation**

Analyst: Ernest Tan

Weekly Report18th December 2004**Link REIT legal challenge weighed on market sentiment**

Weekly Market Statistics				
Week ended	17/12/2004	10/12/2004	Change	%
Hang Seng Index	13,992.44	13,901.81	+90.63	+0.7%
HS Red Chip Index	1,535.36	1,500.03	+35.33	+2.4%
HS China Enterprises Index	4,778.86	4,693.64	+85.22	+1.8%
HS Composite Index	1,800.39	1,785.53	+14.86	+0.8%
HS HK Composite Index	1,911.91	1,903.56	+8.35	+0.4%
HS Mainland Composite Index	1,583.21	1,553.90	+29.31	+1.9%
S&P/HKEx GEM Index	974.52	992.43	-17.91	-1.8%
Avg Daily Turnover (HK\$ bn)	20.26	19.72	+0.54	+2.7%
Sectoral Indices				
Finance	27,710.28	27,956.00	-245.72	-0.9%
Utilities	30,714.87	30,576.58	+138.29	+0.5%
Properties	17,693.63	17,530.16	+163.47	+0.9%
Comm & Ind	5,992.81	5,857.64	+135.17	+2.3%

Review & Outlook of Market Performance

Hong Kong market experienced a lacklustre week as the legal challenge filed by two Housing Authority tenants against the listing of the REIT weighed on market sentiment. The HSI closed up 90.63 points to close 13,992.44, or up 0.7% w-o-w. Average daily turnover was HK\$20.26 billion as compared with HK\$19.72 billion last week.

Property stocks were under selling pressure earlier this week after Sun Hung Kai Properties (0016) and NWS Holdings (0659) announced they would abandon plans to knock down the Peninsula Estate in Hung Hom. However, share prices rebounded after Hong Kong banks unanimously left interest rates unchanged despite a 25 basis point increase of the U.S. federal funds rate. Sun Hung Kai Properties ended the week with a 1.32% gain to HK\$76.50 while NWS Holdings closed up 0.44% w-o-w at HK\$11.50. Hang Seng Properties sub-index gained 0.90% w-o-w to 17,693.63.

During the week, PCCW (0008) confirmed that China Netcom would be interested in taking up a 20% enlarged share capital (through new shares issue) of PCCW. The news received lukewarm response as the related rumours have been widely circulated for months. The counter gained 2.67% w-o-w to close at HK\$ 4.80.

The HSCEI surged 85.22 points, or 1.80% w-o-w, to 4,778.86. Power related counters underperformed on news that government regulators warned the current over-investment would lead to a serious glut of capacity in a few years that would translate into serious losses for the sector. Datang Power (0991), China Power (2380), Huaneng Power (0902) and Huadian Power (1071) all recorded w-o-w losses from 0.85% to 4.08%. HSCCI jumped 2.40% w-o-w to close at 1,535.36. CNOCC (0883) was the major contributor to the index gain. The counter rose 4.27% w-o-w on the news that it had signed long term gas supply contracts with Indonesian government that worth over US\$2 billion.

Whether the listing of the Link REIT will proceed next Monday is still unknown up to the present moment. If it really goes through, investors' sentiment should get a strong boost as buying interests that were previously restrained will re-enter the system. Under this scenario, we see the HSI may test the 14,250 level but if not, the HSI may have to find its support level of 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							
17th December	10,649.92	2,135.20	11,078.32	2,057.98	903.00	670.45	6,009.32
10th December	10,592.21	2,147.96	11,074.89	2,061.58	917.17	663.84	5,893.27
Change	+57.71	-12.76	+3.43	-3.60	-14.17	+6.61	+116.05
%	+0.5%	-0.6%	+0.0%	-0.2%	-1.5%	+1.0%	+2.0%

Major Changes in Index Constituent Stocks (Week ended 17th December 2004)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @17/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
CNOOC	0883	HK\$4.275	+HK\$0.175	+4.27%	The counter had signed long-term gas supply contracts with Indonesian state electricity company PT Perusahaan Listrik Negara that worth more than US\$ 2 billion.
Lenovo Group	0992	HK\$2.30	-HK\$0.125	-5.15%	Investors remained sceptical about its US\$1.25 billion purchase of IBM's loss making PC business

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @17/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec Beijing Yanhua	0325	HK\$3.25	+HK\$0.125	+4.00%	Its parent, Sinopec, might sell a refinery to the counter or even take it private under its recent restructuring efforts.
Datang Power	0991	HK\$5.85	-HK\$0.05	-0.85%	
China Power Int'l	2380	HK\$2.90	-HK\$0.05	-1.69%	Government regulators warned over-investment would lead to a serious glut of capacity in a few years that would translate into losses for the sector.
Huaneng Power	0902	HK\$5.85	-HK\$0.10	-1.71%	
Huadian Power	1071	HK\$2.35	-HK\$0.10	-4.08%	

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @17/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China	1114	HK\$1.42	-HK\$0.09	-5.96%	Two top executives quitted their positions less than a month after its external auditors resigned.



Summary of US Economic News

Indicator	Change/Index	Comments
November Retail Sales and Food Sales	+0.1%	The increase was higher than consensus (unchanged) but the rate was slower from the previous month (+0.8%).
October Business Inventories	+0.2%	The increase was lower than consensus (+0.5%) but higher than the September figure (+0.1%).
October Trade Deficit	\$55.46 billion	The number was larger than consensus (\$53.60 billion). The widening of deficit was mainly due to the increase in imports of industrial supplies and consumer goods.
November Industrial Production	+0.3%	The increase was the same as consensus (+0.3%). Non-metallic mineral products, aerospace and transportation equipment posted sizable gains.
November Capacity Utilization	77.6%	The number was below consensus (77.8%) and was 3.5 percentage points below its 1972 – 2003 average.
Initial Jobless Claims – Week ended 11 th December	-43k	The decrease was more than consensus forecast (-17k). The 4-week moving average was 337,750, a decrease of 4,500 from the previous week's revised average of 342,250.
November Consumer Price Index	+0.2%	The increase met consensus forecast (+0.2%). The core index, which excludes the volatile energy and food prices, also rose 0.2%.

Forthcoming Important Announcements / Events

20 th December 2004 (Monday)	HK	:	Yeebo Limited (0259) – Interim results Ngai Lik Industrial Holdings Limited (0332) – Interim results Artfield Group Limited (1229) – Interim results
	US	:	November Leading Economic Indicators
21 st December 2004 (Tuesday)	HK	:	Asia Standard International Ltd. (0129) – Interim results Asia Orient Holdings Limited (0214) – Interim results New World Cyberbase Limited (0276) – Interim results
	US	:	Bear Stearns (BSC) – Q4 results General Mills (GIS) – Q2 results Morgan Stanley (MWD) – Q4 results
22 nd December 2004 (Wednesday)	HK	:	Starlight International (0485) – Interim results Anex International Holdings Ltd. (0723) – Interim results Van Shung Chung Holdings Limited (1001) – Interim results
	US	:	Q3 Final GDP A.G. Edwards (AGE) – Q3 results Red Hat, Inc. (RHAT) – Q3 results
23 rd December 2004 (Thursday)	HK	:	November Consumer Price Index Hanny Holdings (0275) – Interim results ITC Corporation Limited (0372) – Interim results Paul Y. – ITC Construction (0498) – Interim results
	US	:	Initial Jobless Claims – Week ended 18 th December November Personal Income November Personal Spending November Durable Goods Orders Final U of Michigan Sentiment – Week ended 4 th December November New Home Sales Micron Technology (MU) – Q1 results
24 th December 2004 (Friday)	HK	:	No important announcements / events
	US	:	No important announcements / events