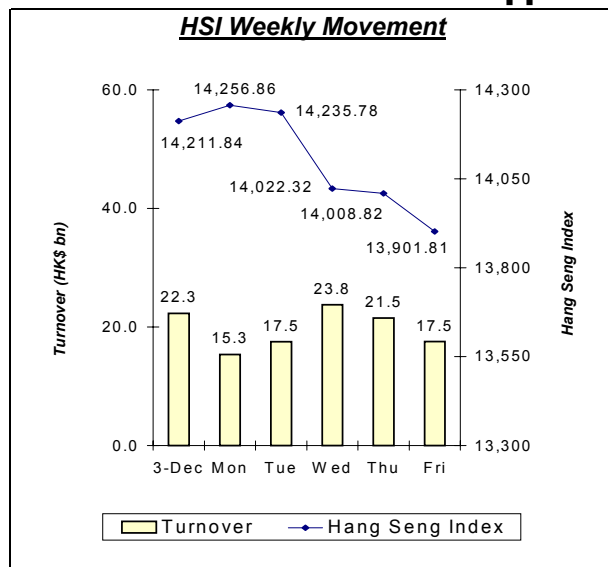


The market dropped as IPOs flushed liquidity



Weekly Market Statistics

Week ended	10/12/2004	03/12/2004	Change	%
Hang Seng Index	13,901.81	14,211.84	-310.03	-2.2%
HS Red Chip Index	1,500.03	1,563.91	-63.88	-4.1%
HS China Enterprises Index	4,693.64	4,896.66	-203.02	-4.1%
HS Composite Index	1,785.53	1,828.04	-42.51	-2.3%
HS HK Composite Index	1,903.56	1,937.58	-34.02	-1.8%
HS Mainland Composite Index	1,553.90	1,615.63	-61.73	-3.8%
S&P/HKEx GEM Index	992.43	1,007.12	-14.69	-1.5%
Avg Daily Turnover (HK\$ bn)	19.13	22.56	-3.43	-15.2%
Sectoral Indices				
Finance	27,956.00	28,387.29	-431.29	-1.5%
Utilities	30,576.58	30,639.75	-63.17	-0.2%
Properties	17,530.16	18,019.25	-489.09	-2.7%
Comm & Ind	5,857.64	6,042.38	-184.74	-3.1%

Review & Outlook of Market Performance

The Hong Kong stock market retreated from recent rallies as investors took profits and redirected liquidity to the 2 IPOs of Air China and Link REIT. The decline came despite another sharp fall in crude oil prices, with investors turning to focus on the rebound of the US dollars and negative news surrounding property sector. The HSI closed down 310.03 points, or 2.18% w-o-w, at 13,901.81. Average daily turnover dropped to HK\$19.13 billion from HK\$22.56 billion last week.

Property plays succumbed to profit taking as money was flowing out in favour of the Link REIT, whose attractive dividend payout received wide retail interest. Sun Hung Kai Properties was the worst performing property developer, falling 4.13% w-o-w to HK\$75.5, as investors expressed concern that the joint venture Hung Hom Peninsula redevelopment project would call a halt.

Hutchison Whampoa bucked the downtrend, rising 0.72% w-o-w to HK\$69.75, in response to an announcement that it jointly won a HK\$1.93 billion bid for the Kowloon Hotel with Cheung Kong. A growing confidence that its 3G investment was starting to pay off also helped lift the shares.

Lenovo Group announced a US\$1.75 billion deal to take over IBM's PC business that will make it the world's 3rd-largest PC maker. However, investors doubted whether the company may be able to turn around IBM's unprofitable PC business and compete globally with Dell and Hewlett-Packard. Lenovo shares, suspended since Monday, fell 9.35% w-o-w to HK\$2.45 after resuming trade on Thursday.

The HSCEI fell 203.02 points, or 4.15% w-o-w, to 4,693.64. Large oil stocks weighed heavily on the index, but metal and commodity stocks also slid as the firmer US dollars put pressure on commodity prices. Jiangxi Copper paced the losses with a 12.57% w-o-w drop to HK\$4.175.

Looking forward, the market is expected to trade around the current level before the US Federal Reserve meeting next Tuesday. It is widely expected another 25 basis point interest rate hike in the US, resulting in some outflow of liquidity. The market should perform better later the week after the return of the capital tied up from the 2 massive IPOs.

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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							
10th December	10,543.22	2,128.07	10,756.80	2,016.33	894.23	648.78	5,911.63
3rd December	10,592.21	2,147.96	11,074.89	2,061.58	917.17	663.84	5,893.27
Change	-48.99	-19.89	-318.09	-45.25	-22.94	-15.06	+18.36
%	-0.5%	-0.9%	-2.9%	-2.2%	-2.5%	-2.3%	+0.3%

Major Changes in Index Constituent Stocks (Week ended 10th December 2004)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @10/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$12.4	-HK\$0.85	-6.42%	One of its customers, Australia's retailer Coles Myers, has increased direct sourcing, raising concern that other customers would also bypass the company to source goods directly.
Hutchison Whampoa	0013	HK\$69.75	+HK\$0.5	+0.72%	The shares were boosted by an announcement that it jointly won a HK\$1.93 billion bid for the Kowloon Hotel with Cheung Kong. A growing confidence that its 3G investment was starting to pay off also helped lift sentiment.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Jiangxi Copper	0358	HK\$4.175	-HK\$0.6	-12.57%	The rebound in the US dollars put pressure on commodity prices.
Angang Newsteel	0347	HK\$3.725	-HK\$0.275	-6.88%	The shares fell on news that the company might propose a rights issue of A shares and H shares to fund a possible acquisition.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @10/12/04	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.425	-HK\$0.25	-9.35%	Investors worried about the risks the company may face with its purchase of IBM's unprofitable PC business.



Summary of US Economic News

Indicator	Change/Index	Comments
Nonfarm Productivity – Q3 Revised	1.8%	US business productivity grew at its slowest pace since Q4 2002, missing forecasts of a 2% increase.
Initial Jobless Claims – 4 th December	357,000	Initial jobless claims grew unexpectedly last week, but an official said an increase in the week after a public holiday was typical.
Import Prices – November	0.2%	Import prices exceeded expectations of 0.1%, as increases in non-petroleum prices surged.
Wholesale Trade – October	1.1%	Wholesaler inventories jumped by a larger-than-expected 1.1% in October as stocks of durable goods such as metals and timber swelled.
Producer Price Index – November	0.5%	The PPI rose 0.5% last month, exceeding forecasts of a 0.1% gain and down from the 1.7% jump in October. The core PPI, which excludes volatile food and energy prices, rose 0.2%, in line with forecasts and down from the 0.3% gain in October.
The University of Michigan's Consumer Sentiment Index (Preliminary) – December	95.7	The consumer sentiment index increased to 95.7 from 92.8 in November as oil prices declined and job creation continued.

Forthcoming Important Announcements / Events

13 th December 2004 (Monday)	US	:	Retail Sales – November Business Inventories – October Carnival Corp. – Q4 results
14 th December 2004 (Tuesday)	HK	:	Vitasoy International Holdings (0345) – Interim results Linmark Group (0915) – Interim results
	US	:	International Trade – October Industrial Production – November FOMC Meeting Announcement ADC Telecommunications Inc. – Q4 results
15 th December 2004 (Wednesday)	HK	:	Air China (0753) – Trading debut
	US	:	NY Empire State Index – December Lehman Brothers Holdings Inc – Q4 results Best Buy Co. Inc. – Q3 results Biomet Inc. – Q2 results
16 th December 2004 (Thursday)	HK	:	Unemployment Rate – November Link REIT (2382) – Trading debut Shui On Construction & Materials (0983) – Interim results Kingmaker Footwear Holdings (1170) – Interim results Fountain Set (Holdings) (0420) – Final results
	US	:	Housing Starts – November Initial Jobless Claims – 11 th December Oracle Corp. – Q2 results Goldman Sachs Group Inc. – Q4 results Adobe Systems Inc. – Q4 results Nike Inc. – Q2 results FedEx Corp. – Q2 results
17 th December 2004 (Friday)	HK	:	Industrial Production – Q3 Texwinca Holdings (0321) – Interim results Interchina Holdings (0202) – Interim results
	US	:	Consumer Price Index – November