



**BEA securities**

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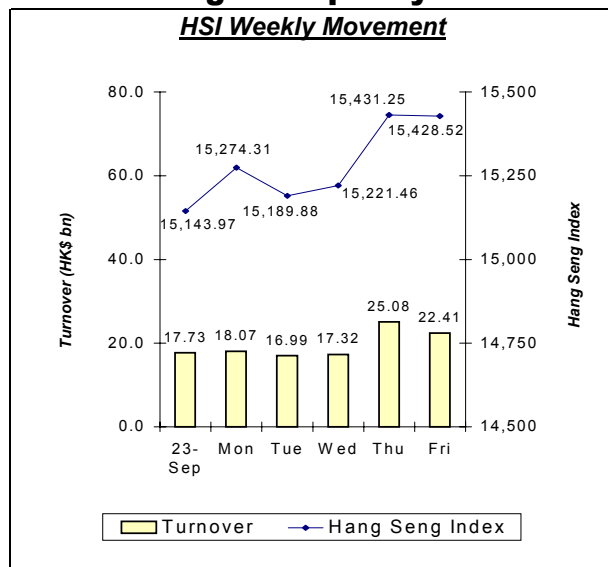
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**HONG KONG RESEARCH**

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**Weekly Report**  
30<sup>th</sup> September 2005

## Surge of liquidity and window dressing pushed indices up



<b>Weekly Market Statistics</b>				
Week ended	30/09/2005	23/09/2005	Change	%
Hang Seng Index	15,428.52	15,143.97	+284.55	+1.9%
HS Red Chip Index	2,017.78	1,951.57	+66.21	+3.4%
HS China Enterprises Index	5,227.28	5,012.22	+215.06	+4.3%
HS Composite Index	1,983.84	1,941.84	+42.00	+2.2%
HS HK Composite Index	2,014.57	1,984.78	+29.79	+1.5%
HS Mainland Composite Index	1,935.14	1,868.53	+66.61	+3.6%
S&P/HKEx GEM Index	1,007.58	990.63	+16.95	+1.7%
Avg Daily Turnover (HK\$ bn)	19.97	19.30	+0.67	+3.5%
<b>Sectoral Indices</b>				
Finance	27,072.54	26,823.47	+249.07	+0.9%
Utilities	31,933.11	31,403.09	+530.02	+1.7%
Properties	19,213.10	19,008.78	+204.32	+1.1%
Comm & Ind	7,504.06	7,291.42	+212.64	+2.9%

## Review & Outlook of Market Performance

Surge of liquidity and end of quarter window-dressing pushed Hong Kong market higher last week. Liquidity has been building up amid the forthcoming mega IPO of the China Construction Bank, the largest ever in Hong Kong that amounted to US\$7.7 billion. Furthermore, window dressing activities of institutional investors that coincided with the expiration of HSI index futures fuelled a broad based rally on Thursday. HSI surged 284.55, or 1.9% w-o-w, at 15,428.52. Average daily turnover increased to HK\$19.97 billion from HK\$19.30 billion last week.

The Government land auction was the market focus last week. Two residential sites at the West Kowloon were sold at forecast beating HK\$3.19 billion and HK\$2.73 billion respectively to a consortium led by Sino Land (0083) while the third site in Ngau Chi Wan was bought by Sun Hung Kai's property (0016) for HK\$4.23 billion that also exceeded market expectations. Though the aggressive bids at the auction reflected developers' optimism towards the property market in the next few years, analysts worried that the high prices paid might squeeze developers' margins and deter potential home buyers. Market participants thus remain cautious and focus on the transaction figures of the next few months to verify the market trend. Sino Land closed the week up 3.3% at HK\$9.45 while Sun Hung Kai Property lost 1.1% w-o-w to close at HK\$80.35. Henderson Land (0012) closed up 1.3% w-o-w at HK\$38.75 after reported a 75.8% y-o-y jump in net profit to HK\$10.85 billion for FY2005.

On the H-shares front, HSCEI jumped 215.06 points, or 4.3% to 5,227.28. Shares trailed their counterparts in Shanghai and Shenzhen markets on the news that China will launch a RMB50 billion fund to protect investors in case any brokerage house fails. Raw material counters were among the best performers due to rebounded commodity prices and rumour about possible relaxation of austerity measures. Counters such as Angang Newsteel (0347) and Jiangxi Copper (0358) recorded w-o-w gains of about 11% to close at HK\$4.35 and HK\$4.375 respectively.

Looking forward, the market is expected to test higher grounds in the coming weeks on strong liquidity. The HSI should see strong support at the 15,150-level in the near term.

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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							
30th September	10,552.78	2,141.22	13,574.30	2,305.14	927.54	723.23	6,118.61
23rd September	10,641.94	2,160.35	12,958.68	2,306.38	921.99	708.26	6,031.24
Change	-89.16	-19.13	+615.62	-1.24	+5.55	+14.97	+87.37
%	-0.8%	-0.9%	+4.8%	-0.1%	+0.6%	+2.1%	+1.4%

\*Note: US market data as of 29<sup>th</sup> September, 2005

**Major Changes in Index Constituent Stocks (Week ended 30<sup>th</sup> September 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @30/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$17.95	+HK\$0.80	+4.7%	Mr. Allan Zeman placed out 51 million shares at HK17.25 that he received from the sale of his trading firm, Colby Group Holdings Limited, to the counter five years ago. This removed a major overhang to the share prices.
Johnson Electric	0179	HK\$7.45	+HK\$0.30	+4.2%	The company said majority of Saia-Burgess shareholders had accepted its US\$548 million takeover bid.

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

Stock	Stock Code	Closing Price @30/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Company	1211	HK\$12.40	+HK\$2.10	+20.4%	The counter rebounded sharply after falling 28.7% since it reported worse than expected 1H results earlier this month.

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

Stock	Stock Code	Closing Price @30/09/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Travel	0308	HK\$2.10	+HK\$0.17	+8.8%	Tourist arrivals from Mainland are expected to surge to a record high in the upcoming Chinese Golden week holiday.



## Summary of US Economic News

Indicator	Change/Index	Comments
August Existing Home Sales	+2.0%	The figure was above market consensus (-0.8%) and was the second highest pace of increase on record.
August New Home Sales	-9.9%	The decline was more than market consensus (-4.6%). The seasonally adjusted estimate of new houses for sale at the end of August was 479,000. This represents a supply of 4.7 months at the current sales rate.
August Durable Goods Orders	+3.3%	The increase was more than market expected (+0.5%). Computers and electronic products, up three of the last four months, had the largest increase.
Second Quarter Final GDP	+3.3%	The increase met consensus forecast (+3.3%). Major contributors were personal consumption expenditures, export, equipment & software, residential fixed investment and government spending.
Initial Jobless Claims – Week ended 24 <sup>th</sup> September	-79k	The decrease was larger than market forecast. The 4-week moving average was 385,500, an increase of 8,500 from the previous week's revised average of 377,000.

## Forthcoming Important Announcements / Events

3 <sup>rd</sup> October 2005 (Monday)	HK US	: :	No Important Announcements / Events August Construction Spending
4 <sup>th</sup> October 2005 (Tuesday)	HK US	: :	No Important Announcements / Events August Factory Orders
5 <sup>th</sup> October 2005 (Wednesday)	HK US	: :	<b>NWS Holdings Limited (0659) – Final results</b> New World Mobile (0862) – Final results Yum! Brands, Inc. (YUM) – Q3 results
6 <sup>th</sup> October 2005 (Thursday)	HK US	: :	<b>New World Development (0017) – Final results</b> New World TMT (0301) – Final results New World China Land Limited (0917) – Final results Initial Jobless Claims – Week ended 1 <sup>st</sup> October <b>Accenture (ACN) – Q4 results</b> ATI Technologies (ATYT) – Q4 results Marriott International (MAR) – Q3 results
7 <sup>th</sup> September 2005 (Friday)	HK US	: :	<b>August Retail Sales</b> September Foreign Currency Reserve <b>September Non-farm Payrolls</b> <b>September Unemployment Rate</b> August Wholesale Inventories August Consumer Credit