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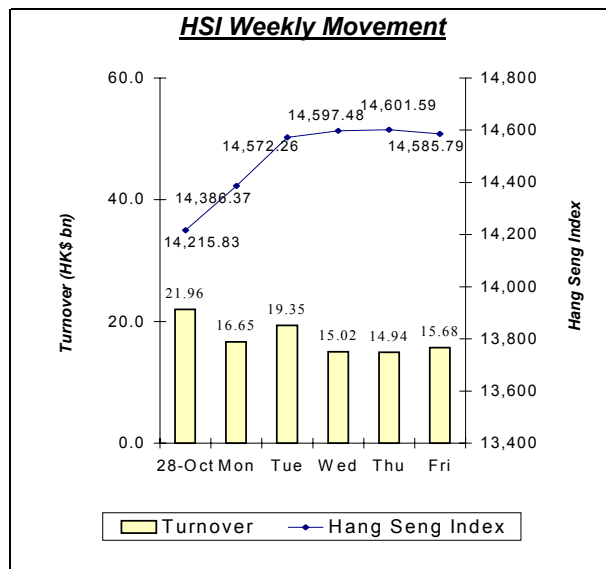
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HONG KONG RESEARCH

Restricted circulation

Weekly Report
5th November 2005

HSI rebounded on bargain hunting



Weekly Market Statistics				
Week ended	04/11/2005	28/10/2005	Change	%
Hang Seng Index	14,585.79	14,215.83	+369.96	+2.6%
HS Red Chip Index	1,868.53	1,785.70	+82.83	+4.6%
HS China Enterprises Index	4,947.75	4,712.50	+235.25	+5.0%
HS Composite Index	1,877.80	1,819.08	+58.72	+3.2%
HS HK Composite Index	1,920.44	1,873.99	+46.45	+2.5%
HS Mainland Composite Index	1,804.58	1,721.33	+83.25	+4.8%
S&P/HKEx GEM Index	964.18	938.88	+25.30	+2.7%
Avg Daily Turnover (HK\$ bn)	16.33	21.96	-5.63	-25.7%
Sectoral Indices				
Finance	26,266.04	25,792.78	+473.26	+1.8%
Utilities	31,191.12	30,895.86	+295.26	+1.0%
Properties	17,532.88	17,374.89	+157.99	+0.9%
Comm & Ind	6,970.83	6,706.29	+264.54	+3.9%

Review & Outlook of Market Performance

Hong Kong equities rebounded during the week, as investors hunt for bargains after a 7% sell-off in October. Nonetheless, the stock market soon turned to trade in tight range, following a larger-than-expected rate hike by local lenders. Hang Seng Index ended at 14,585.79, up 370 points or 2.6% w-o-w. Average daily turnover slashed to HK\$16.33 billion, compared with HK\$21.96 billion a week earlier, as investors stayed on the sideline to await the impact of rising rates on the stock market.

US Fed hiked fed fund rates by 25 bps as expected, but it was followed by surprising bigger move of lenders in Hong Kong. HSBC, Hang Seng Bank and BOC Hong Kong said to raise their prime rates by 50 bps to 7.5%, while Standard Chartered, BEA and other mid-cap peers lifted their prime also by 50 bps to 7.75%. The rate-hike decision not only surprised the market, but also drew attentions from the Hong Kong Monetary Authority citing the aggressive move may have dampening impact on the local property market. Property developers were among the underperformers during the week. Hung Lung Properties ended down 2.62% w-o-w to HK\$11.15. Sino Land dropped 1.74% to HK\$8.45, while Cheung Kong (Holdings) gained a mild 1.01% to HK\$80.35.

Meanwhile, market focus also centred on petrochemical plays amid talks of privatization. PetroChina revealed last week to buy out its HK-listed subsidiary, Jilin Chemical Industrial, while Sinopec also said it plans to privatize its 71.3%-owned Sinopec Zhenhai Refining & Chemical, sparking strong speculative buying interests in other HK-traded subsidiaries of the two oil giants for further potential buy-out. Shanghai Petrochemical jumped 11.96% w-o-w to HK\$2.575, while Yizheng Chemical Fibre rallied 26.36% to HK\$1.39. CNPC (Hong Kong) reaped a strong 19.86% to HK\$1.69, the top gainer in the red-chip index.

Rebalancing has helped lift Hong Kong stocks after a plunge in October, but the buying momentum is seen short-lived amid restless rate-hike fear. Hong Kong stocks are expected to trade in range next week, as investors continue stay on the sideline to take clues on the interest-rate outlook and set aside liquidity for the upcoming share offering of the Link REIT.

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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							
4th November	10,530.76	2,169.43	14,075.96	2,266.52	913.92	706.23	5,911.74
28th October	10,402.77	2,089.88	13,346.54	2,192.41	905.79	682.25	5,632.97
Change	+127.99	+79.55	+729.42	+74.11	+8.13	+23.98	+278.77
%	+1.2%	+3.8%	+5.5%	+3.4%	+0.9%	+3.5%	+4.9%

Major Changes in Index Constituent Stocks (Week ended 4th November 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @04/11/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$3.375	-HK\$0.25	-6.90%	Lenovo said Q2 earnings surged 22% y-o-y to HK\$354 million, beating consensus forecast of HK\$344 million. However, due to weaker-than-expected profit margins in Q2 as well as cumulative gains in share prices during the last couple of weeks, investors turned to take profit on the counter.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @04/11/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Eastern Airlines	0670	HK\$1.11	+HK\$0.10	+9.90%	The mainland air carrier said its Q3 profit more than doubled to RMB673 million, triggering a post-earnings rally over the week.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @04/11/05	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL Multimedia	1070	HK\$1.11	-HK\$0.12	-9.76%	The world's largest TV maker said net loss widened to HK\$179 million in Q3 from a loss of HK\$51 million a year earlier, despite higher sales. Most analysts rated a "Sell" or "Underperform" on the counter after earnings announcement.



Summary of US Economic News

Indicator	Change/Index	Comments
Personal Income – October	+1.7%	Personal income rose 1.7% in Oct, the greatest rise since Dec 2004, mainly due to insurance payments in relation to hurricanes Katrina and Rita. Meanwhile, personal spending rose 0.5% in Oct, matching market expectations.
Construction spending – September	+0.5%	The rise in construction spending last month was in line with market expectations.
ISM index – October	59.1	The ISM index slipped from 59.4 in Sep to 59.1 in Oct, but better than consensus forecast of 57.0.
Initial jobless claims – the week ended 29 th October 2005	-8,000	Initial jobless claims fell to 8,000 last week from an upwardly revised 331,000, better than market expectations of an increase of 2,000.
Non-farm productivity – Q3 2005	+4.1%	Non-farm productivity rose at a 4.1% annual rate in Q3, higher than 2.1% in Q2 and consensus forecast of 2.5%.
Factory orders – September	-1.7	Factory orders slipped 1.7% in Sep, due to a drop in orders for durable goods.
ISM non-manufacturing index – October	60.0	The ISM non-manufacturing index rose to 60.0 from 53.3 in Sep, showing that growth in the US service sector had accelerated.
Non-farm payrolls – October	+58,000	Non-farm payrolls rose 58,000 in Oct, lower than market expectations of 100,000. But the Sep payroll figure was revised up from a drop of 35,000 to a fall of only 8,000. Meanwhile, jobless rate fell to 5.0% in Oct, below consensus forecast of 5.1%.

Forthcoming Important Announcements / Events

7 th November 2005 (Monday)	HK	:	Retail Sales – September 2005 Hang Seng Bank (0011) – Q3 2005 dividend HSBC Holdings (0005) – Q3 2005 dividend Li & Man Holdings (0746) – interim results Li & Man Paper Manufacturing (2314) – interim results
	US	:	Nortel Networks Corp – Q3 2005 results
8 th November 2005 (Tuesday)	HK	:	I.T. Limited (0999) – interim results Sincere Watch (0444) – interim results
	US	:	Alcan Inc – Q3 2005 results
9 th November 2005 (Wednesday)	HK	:	Hong Kong Exchanges and Clearing (0388) – Q3 results Oriental Press (0018) – interim results
	US	:	Whole Trade – September 2005 Cisco Systems Inc – Q1 2005/06 results Federated Department Stores Inc – Q3 2005 results NVIDIA Corp – Q3 2005 results
10 th November 2005 (Thursday)	HK	:	IDT International (0167) – final results
	US	:	Initial jobless claims – week ended 5 th November 2005 Import and Export prices – October 2005 International Trade – September 2005 Dell Inc – Q3 2005 results
11 th November 2005 (Friday)	HK	:	SMI Publishing (0198) – interim results
	US	:	Consumer sentiment (preliminary) – November 2005