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**EAST ASIA SECURITIES COMPANY LIMITED**

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

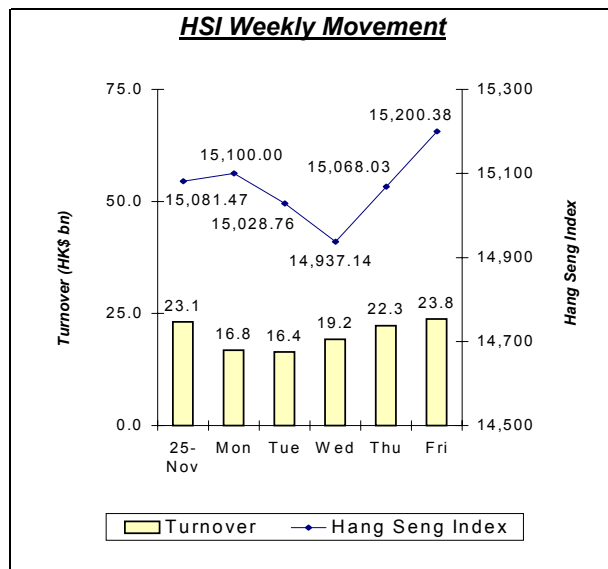
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**HONG KONG RESEARCH**

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**Weekly Report**  
2<sup>nd</sup> December 2005

## The market broke out of slump on improved sentiment



<b>Weekly Market Statistics</b>				
Week ended	02/12/2005	25/11/2005	Change	%
Hang Seng Index	15,200.38	15,081.47	+118.91	+0.8%
HS Red Chip Index	2,032.42	1,973.17	+59.25	+3.0%
HS China Enterprises Index	5,105.60	5,072.30	+33.30	+0.7%
HS Composite Index	1,957.26	1,942.03	+15.23	+0.8%
HS HK Composite Index	1,974.08	1,972.34	+1.74	+0.1%
HS Mainland Composite Index	1,935.49	1,893.53	+41.96	+2.2%
S&P/HKEx GEM Index	998.79	994.73	+4.06	+0.4%
Avg Daily Turnover (HK\$ bn)	19.71	19.13	+0.58	+3.0%
<b>Sectoral Indices</b>				
Finance	26,826.94	26,782.87	+44.07	+0.2%
Utilities	32,046.74	32,004.68	+42.06	+0.1%
Properties	17,962.65	18,178.61	-215.96	-1.2%
Comm & Ind	7,434.80	7,297.01	+137.79	+1.9%

## Review & Outlook of Market Performance

The HSI exhibited another week of gains, paced by strength on the regional markets. Worries over more interest-rate rises had once dragged the index down to an intra-day low of 14,866.10 before a turnaround in market sentiment pushed it back to the positive territory. The HSI closed up 118.91 points, or 0.79% w-o-w, at 15,200.38. Average daily turnover was HK\$19.71 billion.

Given renewed interest in initial public offerings, recent newcomers continued to shine. The announcement that a UK hedge fund accumulated a stake of about 17.95% in Link REIT drove the share up as high as HK\$14.15 before settling back to close at HK\$13.25, up 12.29% w-o-w. Department store operator Parkson Retail Group rallied 34.69% above its issue price of HK\$9.80 to close at HK\$13.20, while auto parts maker Minth Group closed up 42.22% to HK\$3.20 from its issue price of HK\$2.25.

Clouded by interest-rate worries and reports of zero transactions from the primary housing market over the weekend, property counters underperformed the general market. The HSI Properties sub-index edged down 1.19% w-o-w. Cheung Kong failed to get a boost from news that it has received approval from the regulators to launch its Prosperity REIT, dipping 1.09% w-o-w to HK\$81.45. New World Development, however, outshone all other property counters with a gain of 5.83% w-o-w to HK\$10.9 on rumours that it would spin off its mainland department store operations for a separate listing in Hong Kong.

The H-share index gained 0.66% w-o-w to 5,105.60. Crude oil prices eased on expectations of warmer weather, pushing Air China up 2.88% w-o-w at HK\$2.675 and China Southern Airlines up 5.56% w-o-w at HK\$2.375. Meanwhile, mainland toll-road operators saw broad declines. Zhejiang Expressway dropped 4.33% w-o-w to HK\$4.975, while Jiangsu Expressway fell 3.89% w-o-w to HK\$4.325 and Shenzhen Expressway shed 1.96% w-o-w to HK\$2.50.

Looking ahead, market sentiment should continue to improve following a better outlook on Wall Street towards the year-end. The HSI is likely to stay above 15,200 in the coming week.

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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							
2nd December	10,912.57	2,267.17	15,421.60	2,332.52	885.14	659.91	6,228.95
25th November	10,931.62	2,263.01	14,784.29	2,295.73	904.28	669.89	6,128.20
Change	-19.05	+4.16	+637.31	+36.79	-19.14	-9.98	+100.75
%	-0.2%	+0.2%	+4.3%	+1.6%	-2.1%	-1.5%	+1.6%

Remarks (\*): Closing price as of 1<sup>st</sup> December 2005

### Major Changes in Index Constituent Stocks (Week ended 2<sup>nd</sup> December 2005)

#### Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @02/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Enterprise	0291	HK\$14.15	+HK\$0.85	+6.39%	China Resources Enterprise has agreed to sell its 51% stake in Dongguan China Resources Petroleum & Chemicals Co to Sinopec for RMB98 million.
Denway Motors	0203	HK\$2.475	-HK\$0.05	-1.98%	Rival Dongfeng Motor Group priced its share at HK\$1.60, equivalent to 6.5 times 2006 earnings, a 21% discount to Denway.

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

Stock	Stock Code	Closing Price @02/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Chalco	2600	HK\$5.8	+HK\$0.55	+%10.48	Chalco is seeking to buy stakes in Chinese smelters and will complete at least one before the year-end.

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

Stock	Stock Code	Closing Price @02/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Brilliance China	1114	HK\$1.16	+HK\$0.06	+5.45%	Brilliance China's joint-venture partner BMW expects its vehicles sales in China to hit 22,000 units this year, up 42% from 2004.
Beijing Enterprises Holdings	0392	HK\$13	-HK\$0.6	-4.41%	Its controlling shareholder, Beijing Enterprises Investments, would issue HK\$118.35 million of zero coupon, exchangeable bonds due 2010.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Existing Home Sales – October	7.09 million	Existing home sales fell 2.7% from an annual rate of 7.29 million in September, showing a softening of home re-sales.
Durable Goods Orders – October	3.4%	Durable goods orders surged 3.4% in October, much stronger than anticipated.
Consumer Confidence – November	98.9	Consumer confidence rose to 98.9 last month from 85.2 in October, due to falling gas prices and improving job outlook.
New Home Sales – October	1.424 million	New home sales posted a surprising 13% jump in October to the highest rate on record.
GDP – Q3 Preliminary	4.3%	GDP expanded at 4.3% in Q3, showing evidence of the economy's resilience in the face of record energy costs.
Initial Jobless Claims – week ended 26 <sup>th</sup> November 2005	320,000	Initial jobless claims dropped 17,000 last week to 320,000.
Consumer Spending – October	0.2%	Consumer spending increased 0.2% in October, matching market expectations, after a 0.5% rise in September.
Personal Income – October	0.4%	Personal income rose 0.4%, slightly below the 0.5% gain expected by the market.
Construction Spending – October	0.7%	Construction spending rose stronger-than-expected as private residential building and public construction reached record high levels.
ISM Manufacturing Index – November	58.1	The ISM manufacturing index eased to 58.1 last month from 59.1 in October, but well above market expectations of 57.5.

**Forthcoming Important Announcements / Events**

5 <sup>th</sup> December 2005 (Monday)	HK	:	Johnson Electric Holdings (0179) – Interim results
	US	:	Next Media (0282) – Interim results
6 <sup>th</sup> December 2005 (Tuesday)	US	:	ISM Non-Manufacturing Index – November
	HK	:	Retail Sales – October
7 <sup>th</sup> December 2005 (Wednesday)	US	:	Café De Coral Holdings (0341) – Interim results
	US	:	Productivity and Costs – Q3 Revised
8 <sup>th</sup> December 2005 (Thursday)	US	:	Factory Orders – October
	US	:	Kroger Co – Q3 result
9 <sup>th</sup> December 2005 (Friday)	US	:	Pall Corp – Q1 results
	US	:	Sears Holdings Corp – Q3 results
7 <sup>th</sup> December 2005 (Wednesday)	HK	:	Foreign Reserves – November
	US	:	Bossini International Holdings (0592) – Interim results
8 <sup>th</sup> December 2005 (Thursday)	US	:	Consumer Credit – October
	US	:	John Wiley & Sons Inc – Q2 results
9 <sup>th</sup> December 2005 (Friday)	US	:	Wheelock & Co (0020) – Interim results
	US	:	HKR International (0480) – Interim results
10 <sup>th</sup> December 2005 (Saturday)	US	:	Initial Jobless Claims – week ended 3 <sup>rd</sup> December 2005
	US	:	National Semiconductor Corp – Q2 results
11 <sup>th</sup> December 2005 (Sunday)	US	:	Hung Hing Printing Group (0450) – Interim results
	US	:	Consumer Sentiment (Preliminary) – December
12 <sup>th</sup> December 2005 (Monday)	US	:	Wholesale Trade - October
	US	:	