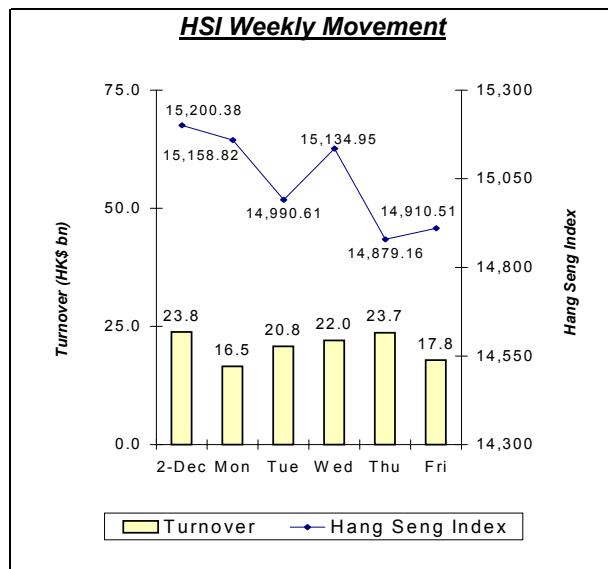


Market consolidated as focus shifted to IPOs


<u>Weekly Market Statistics</u>				
Week ended	09/12/2005	02/12/2005	Change	%
Hang Seng Index	14,910.51	15,200.38	-289.87	-1.9%
HS Red Chip Index	1,958.95	2,032.42	-73.47	-3.6%
HS China Enterprises Index	5,174.81	5,105.60	+69.21	+1.4%
HS Composite Index	1,933.28	1,957.26	-23.98	-1.2%
HS HK Composite Index	1,957.05	1,974.08	-17.03	-0.9%
HS Mainland Composite Index	1,897.65	1,935.49	-37.84	-2.0%
S&P/HKEx GEM Index	986.79	998.79	-12.00	-1.2%
Avg Daily Turnover (HK\$ bn)	20.17	19.71	+0.46	+2.3%
Sectoral Indices				
Finance	26,512.92	26,826.94	-314.02	-1.2%
Utilities	32,022.99	32,046.74	-23.75	-0.1%
Properties	17,694.62	17,962.65	-268.03	-1.5%
Comm & Ind	7,222.42	7,434.80	-212.38	-2.9%

Review & Outlook of Market Performance

Hong Kong market consolidated this week as investors held off on buying major blue chips and shifted their focus to the recent initial public offerings. HSI closed down 289.87 points, or 1.9% w-o-w at 14,910.51. Average daily turnover was HK\$20.17 billion as compared with last week's HK\$19.71 billion.

Among the up-coming offerings, Cheung Kong's Prosperity REIT (0808) and mainland property developer Agile Property Holdings (3383) received exceptionally strong demand, i.e. public oversubscription of some 250 times and 150 times respectively. As the optimism on new issues continued, newly listed Dongfeng Motor Group (0489) and Xiwang Sugar Holdings (2088) gained 10.0% and 5.9% to close at HK\$1.76 and HK\$1.99 respectively on their week of debut.

New World Development (0017) was the star performer among HSI components during the week after media reported that The Children's Investment Fund Management (TCI) of the U.K. boosted its stake in the company to 7.45% from 4.69% for HK\$992.14 million in anticipating that its huge share price discount to NAV will be narrowed. The counter surged 18.4% w-o-w to close at HK\$12.90. In stark contrast, Johnson Electric (0179) was the market laggard that plunged 7.0% w-o-w to HK\$7.35 after it reported a 23.7% y-o-y drop in its 1H05/06 net profits on higher steel and copper prices. The worse than expected results triggered rating downgrades by major brokerages.

On the H-share front, HSCEI closed up 69.21 points, or 1.4% w-o-w at 5,174.81. The commodity sector outperformed the general market on higher oil and gold prices. Sinopec (0386) and PetrolChina (0857) gained 5.6% and 3.2% w-o-w to close at HK\$3.75 and HK\$6.40 respectively. Yizheng Chemical (1033) surged 6.2% w-o-w at HK\$1.54 as the proposed privatization of Zhenhai Refinery (1128) by Sinopec had sparked speculation that Yizheng will be its next target. Zijin Mining (2899) surged 10.1% w-o-w to close at HK\$3.00 after reaching a new high of HK\$3.05 during the week.

Looking ahead, market should continue to consolidate towards the year-end due to a lack of fresh catalysts. The U.S. Fed will hold its FOMC meeting next Tuesday and it is widely expected that it will raise interest rate by 25 bps. We see the near term support level for the HSI should be at 14,800.

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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							
9th December	10,778.58	2,256.73	15,404.05	2,321.10	898.30	697.74	6,264.36
2nd December	10,912.57	2,267.17	15,421.60	2,332.52	885.14	659.91	6,228.95
Change	-133.99	-10.44	-17.55	-11.42	+13.16	+37.83	+35.41
%	-1.2%	-0.5%	-0.1%	-0.5%	+1.5%	+5.7%	+0.6%

Major Changes in Index Constituent Stocks (Week ended 9th December 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @09/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
New World Development	0017	HK\$12.90	+HK\$2.00	+18.4%	Exchange data showed that British-based hedge fund The Children's Investment Fund Management had boosted its stake in the Company to 7.45% from 4.69% for HK\$992.14 million.
Johnson Electric	0179	HK\$7.35	-HK\$0.55	-7.0%	The company reported a 23.7% y-o-y drop in its 1H 2005/06 net profits on higher copper and steel costs, lagging analysts' forecasts.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @09/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
ZTE	0763	HK\$23.75	+HK\$2.15	+10.0%	ZTE and France Telecom had formed an R&D partnership focusing on applying the Linux operating system for 3G technology smart phone handsets.
Yizheng Chemical	1033	HK\$1.54	+HK\$0.09	+6.2%	The proposed privatization of Zhenhai Refinery (1128) by Sinopec (0386) had sparked speculation that the counter will be its next target.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @09/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Pharmaceutical	1093	HK\$1.25	-HK\$0.06	-4.6%	The counter was under selling pressure after announcing a 33% y-o-y drop of its nine-month net profits.



Summary of US Economic News

Indicator	Change/Index	Comments
November ISM Non-Manufacturing Business Index	58.5	The figure was lower than consensus (59.0) and that of the previous month (60.0). Still, it was the 32 nd consecutive month of increase.
3Q Revised Non-Farm Productivity	+4.7%	The increase was higher than the market consensus (+4.5%) and that of the previous month.
3Q Revised Unit Labor Costs	-1.0%	The decrease was more than the market forecast (-0.7%) and that of the previous month (-0.5%).
October Factory Orders	+2.2%	The increase was greater than the market consensus (+2.0%). New factory orders amounted to US\$399.8 billion, the highest level since the series was first stated in 1992.
Initial Jobless Claims – Week Ended 4 th December	+6k	The figure was higher than market expected (-2k). The 4-week moving average was 322,500, a decrease of 250 from the previous week's revised average of 322,750.
Univ. of Michigan Mid-December Consumer Sentiment	88.7	The figure was higher than market consensus (85.5) and that of the previous month (81.6).

Forthcoming Important Announcements / Events

12 th December 2005 (Monday)	HK	:	Vitasoy International Holdings (0345) – Interim results
	US	:	Hong Kong Catering Management (0668) – Interim results No Important Announcements / Events
13 th December 2005 (Tuesday)	HK	:	ITC Corporation Limited (0372) – Interim results PYI Corporation Limited (0498) – Interim results Paul Y. Engineering Group Limited (0577) – Interim results
	US	:	Federal Reserve FOMC Meeting November Retail Sales October Business Inventories Best Buy Co., Inc. (BBY) – Q3 results
14 th December 2005 (Wednesday)	HK	:	Linmark Group Limited (0915) – Interim results Shui On Construction and Materials (0983) – Interim results Synergis Holdings Limited (2340) – Interim results
	US	:	October Trade Deficit October Import Prices ASAT Holdings Limited (ASTT) – Q2 results
15 th December 2005 (Thursday)	HK	:	Chevalier International Holdings (0025) – Interim results Chevalier iTech Holdings Limited (0508) – Interim results CIG-WH International (Holdings) (0621) – Interim results
	US	:	November Consumer Price Index Initial Jobless Claims – For Week Ended 11 th December November Industrial Production November Capacity Utilization Adobe Systems (ADBE) – Q4 results Bear Stearns (BSC) – Q4 results Goldman Sachs (GS) – Q4 results Oracle (ORCL) – Q2 results
16 th December 2005 (Friday)	HK	:	3Q Industrial Production 3Q Producer Price Index Texwinca Holdings Limited (0321) – Interim results
	US	:	Tungtex (Holdings) Company (0518) – Interim results 3Q Current Account Gap