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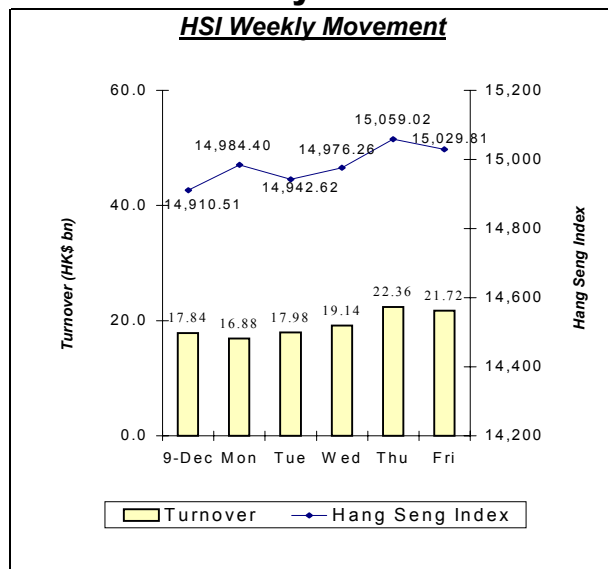
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HONG KONG RESEARCH

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Weekly Report
17th December 2005

Newly listed shares shined amid minor gain in HSI



Weekly Market Statistics				
Week ended	16/12/2005	9/12/2005	Change	%
Hang Seng Index	15,029.81	14,910.51	+119.30	+0.8%
HS Red Chip Index	1,981.58	1,958.95	+22.63	+1.2%
HS China Enterprises Index	5,219.35	5,174.81	+44.54	+0.9%
HS Composite Index	1,955.06	1,933.28	+21.78	+1.1%
HS HK Composite Index	1,978.05	1,957.05	+21.00	+1.1%
HS Mainland Composite Index	1,921.10	1,897.65	+23.45	+1.2%
S&P/HKEx GEM Index	985.67	986.79	-1.12	-0.1%
Avg Daily Turnover (HK\$ bn)	19.62	20.17	-0.55	-2.7%
Sectoral Indices				
Finance	26,802.34	26,512.92	+289.42	+1.1%
Utilities	32,047.97	32,022.99	+24.98	+0.1%
Properties	18,007.56	17,694.62	+312.94	+1.8%
Comm & Ind	7,252.53	7,222.42	+30.11	+0.4%

Review & Outlook of Market Performance

Hong Kong stocks rose slightly during the week, as rate-hike cycle in the US was seen coming to an end soon. However, buying momentum seemed to turn sluggish above the 15,000-point level, as investors focused on newly listed shares and waited for fresh catalysts to boost blue chips up further. Hang Seng Index ended at 15,029.81, up 119.30 points or 0.80% w-o-w. Average daily turnover was HK\$19.62 billion, down from HK\$20.17 in the previous week.

The US Federal Reserve raises its target for the fed funds rate by 25 basis points to 4.25% as expected and removed the wordings of "accommodative" in its post-FOMC meeting statement. Local lenders followed suit by hiking their respective prime rates by a quarter percentage point (except Citibank with a 50bps hike to 8%), rather than a 50-bp rise that had surprised the market in November. Mild rate-hike and expectations for peaking rates helped lift property stocks. Sun Hung Kai Properties gained 1.62% w-o-w to HK\$75.05, while Cheung Kong (Holdings) rose 1.01% to HK\$80.10. Henderson Land rallied 6.18% to HK\$36.95. The developer said it would revise up its all-share buy-out offer for its subsidiary Henderson Investment by 4%. Market watchers said unloading of long-short positions between the two stocks by some speculators also helped boost the parent's share prices. Meanwhile, New World Development tumbled a sharp 15.12% w-o-w to HK\$10.95 and was named the biggest loser in the HSI during the week, after it placed US\$412.8 million worth of new shares, diluting the existing share capital by 7%.

Newly listed stocks attracted enormous market attention, thanks to their record-setting subscription numbers as well as brilliant debut performances. The Link REIT remained heavily traded and set a new high at HK\$16.00 before giving up 9.6% on Friday and closing only one tick higher w-o-w at HK\$14.10 on profit taking. Prosperity REIT settled at HK\$2.60, up 20.37% against its offer price, while Agile Property finished up 13.64% at HK\$3.75.

Market activities are expected to scale back in the coming week, while the blue-chip index is seen side-walking, ahead of the Christmas holiday break. Technically, the HSI would see its support near 14,880, while resistance may turn up near 15,140.

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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							
16th December	10,875.59	2,252.48	15,173.07	2,325.53	893.37	691.17	6,350.69
9th December	10,778.58	2,256.73	15,404.05	2,321.10	898.30	697.74	6,264.36
Change	+97.01	-4.25	-230.98	+4.43	-4.93	-6.57	+86.33
%	+0.9%	-0.2%	-1.5%	+0.2%	-0.5%	-0.9%	+1.4%

Major Changes in Index Constituent Stocks (Week ended 17th December 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @16/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
New World Development	0017	HK\$10.95	-HK\$1.95	-15.12%	The developer sold 280 million new shares, or 7.42% of the enlarged share capital, at HK\$11.50 a share. The price represented a 10.85% discount to the previous closing price before the sale. The stock rallied strongly in the previous week, as stock filings showed TCI, a UK-based hedge fund, had raised its stake in the Company to 7.45% from 4.69%.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @16/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.50	-HK\$0.075	-2.91%	Air China said it carried 2.31 million passengers in November, up 13.8% from a year earlier.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @16/12/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Tianjin Development	0882	HK\$3.425	-HK\$0.30	-8.05%	Tianjin Development plans to issue zero-coupon convertible bonds to raise HK\$400 million for working capital. Conversion price would be HK\$3.90, a 6.1% premium to the last closing price before trading suspension. Full conversion of the bonds would enlarge the company's share capital by 10.12%.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Retail sales – November	+0.3%	Retail sales gained 0.3% m-o-m in Nov, matching the rise in Oct but lagging consensus forecast of 0.4%.
Business inventory – November	+0.3%	Business inventory rose a lower-than-expected 0.3% in Nov, while sales grew 0.8% m-o-m.
Trade balance – October	-US\$68.9 billion	US trade deficit surged to a record US\$68.9 billion, as deficits with major trade partners all hit record. It was 4.4% up from Oct and higher than market expectations of a US\$62.8 billion deficit.
Initial jobless claims – the week ended 10 th December 2005	+1,000	Jobless claims rose 1,000 to 329,000 last week, against consensus forecast of a fall to 320,000.
Industrial production – November	+0.7%	Industrial output rose 0.7% last month, while capacity utilization was up slightly at 79.8% from 79.5% in Oct.
Consumer price index – November	-0.6%	CPI slashed 0.6% in Nov, the greatest m-o-m drop since July 1949, mainly due to a slump in gasoline prices.
Current account balance – Q3 2005	-US\$195.8 billion	US Q3 current account gap dropped to US\$195.8 billion, lower than consensus forecast of US\$204.8 billion.

Forthcoming Important Announcements / Events

19 th December 2005 (Monday)	HK	:	Unemployment rate – Sep-Nov 2005 Leroi Holdings (0221) – interim results Peace Mark (0304) – interim results Sinochem (0297) – interim results Tonic Industrial (0978) – interim results Veeco International (1173) – interim results
	US	:	Bear Stearns Companies Inc. – Q4 2005 results
20 th December 2005 (Tuesday)	HK	:	Asia Standard Hotel (0292) – interim results Culturecom Holdings (0343) – interim results FE Consortium (0035) – interim results InterChina Holdings (0202) – interim results Linfair (0462) – interim results Long Far Pharmaceutical (2898) – interim results
	US	:	Pacific Andes (1174) – interim results Housing starts – November 2005 Producer Price Index – November 2005
21 st December 2005 (Wednesday)	HK	:	Hang Fung Gold (0870) – interim results Ngai Lik Industrial (0332) – interim results
	US	:	Gross domestic product (final) – Q3 2005 3Com Corp – Q2 FY2005/06 results Morgan Stanley – Q4 FY2004/05 results
22 nd December 2005 (Thursday)	HK	:	Consumer Price Index – November 2005 Tack Fat (0928) – interim results U-Right International (0627) – interim results
	US	:	Initial jobless claims – week ended 17 th December 2005 Personal income and spending – November 2005 Index of Leading Indicators – November 2005 Micron Technology – Q1 FY2005/05 results
23 rd December 2005 (Friday)	HK	:	Grandtop International (2309) – interim results Kwong Hing International (1131) – interim results
	US	:	Durable goods orders – November 2005 Consumer sentiments – December 2005 New home sales – November 2005