



BEA securities

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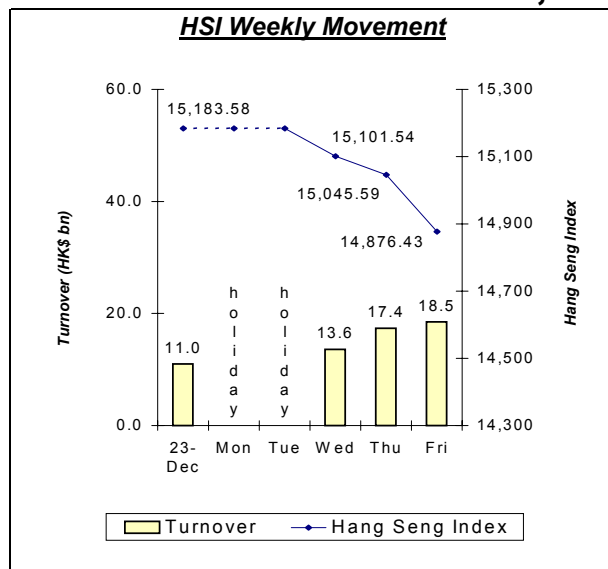
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HONG KONG RESEARCH

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Weekly Report
31st December 2005

The HSI closed below 15,000 on the last trading day of 2005



| Weekly Market Statistics | | | | |
|---------------------------------|------------|------------|---------|-------|
| Week ended | 30/12/2005 | 23/12/2005 | Change | % |
| Hang Seng Index | 14,876.43 | 15,183.58 | -307.15 | -2.0% |
| HS Red Chip Index | 1,934.89 | 2,009.84 | -74.95 | -3.7% |
| HS China Enterprises Index | 5,330.34 | 5,308.42 | +21.92 | +0.4% |
| HS Composite Index | 1,947.72 | 1,974.14 | -26.42 | -1.3% |
| HS HK Composite Index | 1,976.87 | 1,994.94 | -18.07 | -0.9% |
| HS Mainland Composite Index | 1,901.57 | 1,944.61 | -43.04 | -2.2% |
| S&P/HKEx GEM Index | 1,007.28 | 985.99 | +21.29 | +2.2% |
| Avg Daily Turnover (HK\$ bn) | 16.48 | 17.01 | -0.53 | -3.1% |
| Sectoral Indices | | | | |
| Finance | 26,614.29 | 26,778.56 | -164.27 | -0.6% |
| Utilities | 31,866.03 | 32,468.41 | -602.38 | -1.9% |
| Properties | 17,977.81 | 18,241.25 | -263.44 | -1.4% |
| Comm & Ind | 7,139.32 | 7,387.83 | -248.51 | -3.4% |

Review & Outlook of Market Performance

The HSI slipped below the key 15,000-point level after the Christmas break as overall sentiment was weighed down by a softer US market. The benchmark index closed down 307.15 points, or 2.02% w-o-w, at 14,876.43. Average daily turnover for the week was HK\$16.48 billion. Overall, the HSI registered a y-o-y gain of 646 points or 4.53% in 2005.

Index heavyweight China Mobile tumbled 5.78% w-o-w to HK\$36.7 on worries that 3G licenses would be granted in the first half of 2006, which may shake the company's dominance in the sector. Its rival China Unicom shed 5.26% w-o-w to HK\$6.3. Meanwhile, HSBC Holdings has agreed to acquire a 10% stake in Vietnam Technological and Commercial Joint Stock Bank for US\$17.3 million, being the third foreign bank to buy into a Vietnamese lender after Standard Chartered and ANZ Banking Group. Shares of HSBC ended 0.72% w-o-w lower at HK\$124.5.

The H-share index gained 0.41% w-o-w to 5,330.34. Mainland insurance stocks continued to outperform on anticipation that the insurers would benefit from a stronger Chinese Yuan. The Yuan hit consecutive highs against the US dollar since its revaluation in July 2005. Ping An Insurance reached its all-time high of HK\$14.50 before settling at HK\$14.30, up 1.42% w-o-w. PICC Property and Casualty advanced 4.71% w-o-w to HK\$2.225 and China Life Insurance increased 0.74% w-o-w to HK\$6.85.

Oil refiners were in focus after the Chinese government granted Sinopec and its units RMB9.415 billion in subsidies for losses stemming from mainland price limits on refined oil products. Nonetheless, the overall weak market sentiment overshadowed the news. Sinopec slid 0.65% w-o-w to HK\$3.85. PetroChina, whose downstream refining business also recorded a loss, was not included in the subsidy plan and its shares closed unchanged at HK\$6.3.

The market seems lagging drivers to regain upward momentum, with investors awaiting fresh indicators from the US and direction on its interest-rate policy. The HSI should find support at 14,800 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 | | | | | | | |
| 30th December | 10,717.50 | 2,205.32 | 16,111.43 | 2,347.34 | 899.79 | 713.73 | 6,548.34 |
| 23rd December | 10,883.27 | 2,249.42 | 15,941.37 | 2,328.29 | 892.13 | 698.95 | 6,512.63 |
| Change | -165.77 | -44.10 | +170.06 | +19.05 | +7.66 | +14.78 | +35.71 |
| % | -1.5% | -2.0% | +1.1% | +0.8% | +0.9% | +2.1% | +0.5% |

Major Changes in Index Constituent Stocks (Week ended 30th December 2005)**Hang Seng Index (HSI)**

| Stock | Stock Code | Closing Price @30/12/05 | W-O-W Change | | Remarks / Comments |
|---------------|------------|----------------------------|--------------|--------|--|
| | | | Absolute | % | |
| COSCO Pacific | 1199 | HK\$14.2 | +HK\$0.25 | +1.79% | COSCO Pacific, one of the index laggards this year, attracted buying interest on its low valuation, particularly when compared with China Merchants (stock code: 144). |

Hang Seng China Enterprises Index (HSCEI)

| Stock | Stock Code | Closing Price @30/12/05 | W-O-W Change | | Remarks / Comments |
|--------------------|------------|----------------------------|--------------|--------|---|
| | | | Absolute | % | |
| Sinotrans | 0598 | HK\$3.15 | +HK\$0.225 | +7.69% | Investors reckoned that the recent strength in Chinese yuan should benefit the counter. |
| Anhui Conch Cement | 0914 | HK\$9.55 | +HK\$0.30 | +3.24% | Morgan Stanley's private equity arm and the World Bank's International Finance Corp have agreed to take a combined stake of 14.33% in Anhui Conch Cement. |
| ZTE Corp | 0763 | HK\$26.1 | +HK\$0.65 | +2.55% | The positive development of China's 3G services posted expectation of a huge spending spree on telecom equipment. |

Hang Seng China-Affiliated Corporation Index (HSCCI)

| Stock | Stock Code | Closing Price @30/12/05 | W-O-W Change | | Remarks / Comments |
|-----------------------|------------|----------------------------|--------------|--------|--|
| | | | Absolute | % | |
| China Resources Power | 0836 | HK\$4.375 | +HK\$0.075 | +1.74% | The Chinese government will remove the limit on coal prices, allowing buyers and sellers to negotiate contracts in talks starting next week. |



Summary of US Economic News

| Indicator | Change/Index | Comments |
|--|--------------|---|
| Consumer Confidence – December | 103.6 | Consumer confidence climbed to a 4-month high on falling gas prices and an improving labour market. |
| Initial Jobless Claims – week ended 24 th December 2005 | 322,000 | Initial jobless claims rose 3,000 last week, in line with market expectations. |
| Existing Home Sales – November | 6.97 million | Existing home sales fell 1.7% in November to an annual rate of 6.97 million units as the inventory level was the highest since June 2003. |
| Chicago PMI – December | 61.5 | Chicago PMI slipped to 61.5 in December from 61.7 in November. |

Forthcoming Important Announcements / Events

| | | | |
|--|----------|---|--|
| 2 nd January 2006 (Monday) | HK US | : | New Year Holiday New Year Holiday |
| 3 rd January 2006 (Tuesday) | HK US | : | Retail Sales – November Construction Spending – November ISM Manufacturing Index – December FOMC Minutes – 13 th December 2005 meeting Walgreen Co – Q1 results |
| 4 th January 2006 (Wednesday) | HK US | : | No Important Announcement / Event Factory Orders – November Monsanto Co – Q1 results |
| 5 th January 2006 (Thursday) | HK US | : | No Important Announcement / Event Initial Jobless Claims – week ended 31 st December 2005 ISM Non-Manufacturing Index – December Constellation Brands Inc – Q3 results |
| 6 th January 2006 (Friday) | HK US | : | No Important Announcement / Event Nonfarm Payrolls – December Unemployment Rate – December |