



BEA securities

EAST ASIA SECURITIES COMPANY LIMITED

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

Dealing: 3608 8000 Research: 3608 8096 Facsimile: 3608 6132

HONG KONG RESEARCH

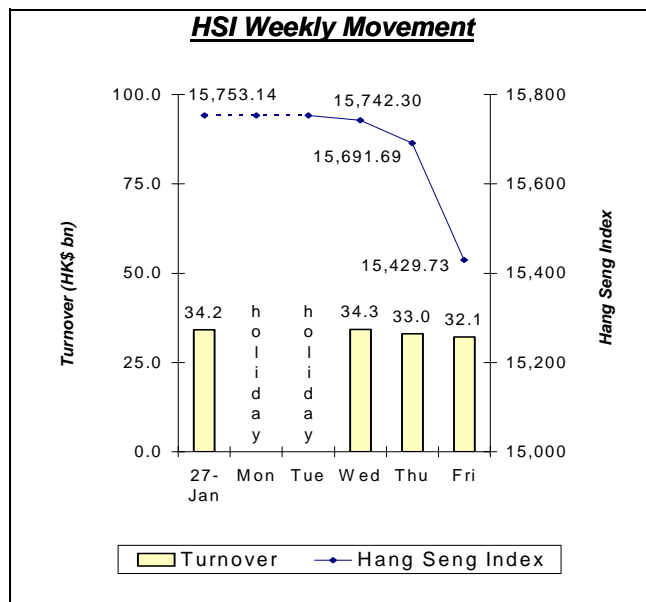
Restricted circulation

Analyst: Stanley Lau

Weekly Report

4th February 2006

Concerns on further rate hikes dragged the market down



Weekly Market Statistics				
Week ended	03/02/2006	27/01/2006	Change	%
Hang Seng Index	15,429.73	15,753.14	-323.41	-2.1%
HS Red Chip Index	2,058.47	2,099.25	-40.78	-1.9%
HS China Enterprises Index	6,202.28	6,277.05	-74.77	-1.2%
HS Composite Index	2,061.93	2,094.13	-32.20	-1.5%
HS HK Composite Index	2,051.09	2,084.99	-33.90	-1.6%
HS Mainland Composite Index	2,095.18	2,124.20	-29.02	-1.4%
S&P/HKEx GEM Index	1,185.20	1,156.51	+28.69	+2.5%
Avg Daily Turnover (HK\$ bn)	33.13	26.69	+6.45	+24.2%
Sectoral Indices				
Finance	27,293.22	27,669.42	-376.20	-1.4%
Utilities	31,192.48	31,676.42	-483.94	-1.5%
Properties	18,884.74	19,469.00	-584.26	-3.0%
Comm & Ind	7,509.24	7,698.41	-189.17	-2.5%

Review & Outlook of Market Performance

Blue-chip counters edged lower on the first trading week of the *Year of the Dog*, with sell-offs particularly severe in property counters after the US Federal Reserve hinted that more interest-rate rises may lie ahead. The HSI closed down 323.41 points, or 2.05% w-o-w, at 15,429.73. Trading was active during the week on average daily turnover of HK\$33.13 billion.

As widely expected, the Fed raised its benchmark rate by 25 basis points to 4.5% after the FOMC meeting on Tuesday. However, the accompanying statement that further rate rises might be needed to fend off inflation weighed on sentiment. Property counters suffered most on worries that the likelihood of rising mortgage costs might dampen property sales. Hang Lung Properties fell 6.95% w-o-w to HK\$14.05, Wharf (Holdings) dropped 4.01% w-o-w to HK\$28.7 and Henderson Land Development shed 3.17% w-o-w to HK\$38.2. Meanwhile, with Hong Kong's money market awash in liquidity, most local lenders left interest rates unchanged. BOC Hong Kong was the exception to raise its prime rate by 25 basis points to 8%. Of the banking sector, HSBC finished 1.31% w-o-w lower at HK\$128 and BOC Hong Kong was down 2.25% w-o-w at HK\$15.2.

The H-share index, which opened higher on Wednesday, followed a slump in the broader market to close 1.19% w-o-w lower at 6,202.28. Oil counters had once hit record highs following strong earnings reports from US oil giant Exxon Mobil, but a retreat in oil prices later in the week wiped out earlier gains. PetroChina was down 1.32% w-o-w at HK\$7.45 and Sinopec ended 3.70% lower w-o-w at HK\$4.55. Meanwhile, Gold plays outperformed on worldwide demand for precious metals amid Middle East tension and worries about high oil prices. Zijin Mining jumped 13.48% w-o-w to HK\$5.05 and recently listed Lingbao Gold rose 2.94% w-o-w to HK\$5.25.

Looking ahead, interest-rate factor and overseas market performance will continue to affect sentiment. Another factor to watch is the kick-off of reporting season for blue-chip counters by the Bank of East Asia next Friday, which will set tone of profit expectations for other lenders. In the absence of any fresh catalysts, the HSI should find initial support at 15,300 in the coming week.

This report has been prepared solely for information purposes and we are not soliciting any action based upon it. Neither this document nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which we consider reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein, while its group companies may from time to time have interests in securities of the company or companies mentioned herein.

**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							
3rd February	10,793.62	2,262.58	16,659.64	2,431.72	927.85	747.09	6,594.60
27th January	10,907.21	2,304.23	16,460.68	2,412.08	914.01	761.27	6,532.18
Change	-113.59	-41.65	+198.96	+19.64	+13.84	-14.18	+62.42
%	-1.0%	-1.8%	+1.2%	+0.8%	+1.5%	-1.9%	+1.0%

Major Changes in Index Constituent Stocks (Week ended 3rd February 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @03/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Li & Fung	0494	HK\$15	+HK\$0.6	+4.17%	Recent laggard Li & Fung attracted buying interest following strong US consumer spending data.
Lenovo Group	0992	HK\$3.225	+HK\$0.1	+3.20%	Bargain hunters snapped up the counter after it fell 15.54% last week on weaker-than-expected 3Q2005 results.
Hutchison Whampoa	0013	HK\$75.85	-HK\$3.4	-4.29%	The listing of Hutchison Whampoa's Italian 3G mobile arm might be postponed due to concerns over the unit's high debt levels.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @03/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Datang International Power	0991	HK\$5.7	-HK\$0.3	-5.00%	Power plays suffered on worries over squeezing margins amid rising coal prices.
Huadian Power International	1071	HK\$2.275	-HK\$0.05	-2.15%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @03/02/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Kingway Brewery	0124	HK\$3.4	+HK\$0.25	+7.94%	Mainland consumer plays were in favour as investors were bullish on consumer spending in China.
COFCO International	0506	HK\$4.2	+HK\$0.2	+5.00%	

Summary of US Economic News

Indicator	Change/Index	Comments
Personal Income – December	0.4%	Personal income rose for the second straight month, in line with market expectations.
Consumer Spending – December	0.9%	Consumer spending shot up a surprisingly strong 0.9% in December as consumers dipped into savings to take advantage of mild inflation.
Fed Fund Rates	+25 bps	The US Federal Reserve raised the Fed funds rate to 4.50% from 4.25% and said it might have to raise rates further.
Construction Spending - December	1.0%	Construction spending increased 1% in December to an all-time high annual rate of US\$1.161 trillion.
ISM Manufacturing Index – January	54.8	The index came in weaker than expected, but still high enough to suggest that the manufacturing sector is expanding at a steady pace.
Initial Jobless Claims – week ended 28 th January 2005	273,000	Initial jobless claims reduced 11,000 last week, pushing a 4-week average of claims to the lowest level in nearly 6 years.
Nonfarm Productivity – 4Q2005	-0.6%	Nonfarm productivity fell unexpectedly in 4Q2005 and unit labor costs accelerated 3.5% in what could be an early sign of wage inflation.
Nonfarm Payrolls – January	193,000	Employers added 193,000 jobs to payrolls last month, up from a 140,000 gain in December but short of market expectations.
Unemployment Rate – January	4.7%	The unemployment rate dipped to 4.7% last month from 4.9% in December, the lowest since July 2001.
Factory Orders – December	1.1%	Factory orders increased more than expected, as strong demand for machinery and durable goods offset weakness in aircraft.
ISM Non-Manufacturing Index – January	56.8	The index dropped to 56.8 last month from 61.0 in December, below market expectations.

Forthcoming Important Announcements / Events

6 th February 2006 (Monday)	HK US	: : :	No Important Announcement / Event Walt Disney Co – Q1 results
7 th February 2006 (Tuesday)	HK US	: : :	Foreign Currency Reserves – January Cisco Systems Inc – Q2 results Coca-Cola Co – Q4 results
8 th February 2006 (Wednesday)	HK US	: : :	No Important Announcement / Event Pepsico Inc – Q4 results Prudential Financial Inc – Q4 results
9 th February 2006 (Thursday)	HK US	: : :	Manulife Financial Corp (0945) – Final results Initial Jobless Claims – week ended 4 th February 2006 Wholesale Trade – December Aetna Inc – Q4 results Merriott International Inc – Q4 results MetLife Inc – Q4 results
10 th February 2006 (Friday)	HK US	: : :	Bank of East Asia (0023) – Final results SW Kingsway Capital Holdings (0188) – Interim results International Trade – December

Important Disclosure / Analyst Certification / Disclaimer

This document is published by East Asia Securities Company Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited (BEA). At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA and / its associated or affiliated companies may from time to time have interests in securities of the company or companies mentioned herein.

The research analyst primarily responsible for the content of this report, in part or in whole certifies that the views on the companies and their securities mentioned in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report.

This report has been prepared solely for information purposes and has no intention whatsoever to solicit any action based upon it. Neither this report nor its contents shall be construed as an offer, invitation, advertisement, inducement or representation of any kind or form whatsoever. The information is based upon information, which East Asia Securities Company Limited considers reliable, but accuracy or completeness is not guaranteed. Opinions expressed herein are subject to change without notice. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is not to be taken in substitution for the exercise of judgment by respective readers of this report, who should obtain separate legal or financial advice. East Asia Securities Company Limited and / or The BEA Group accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or further communication given in relation to this report.

At time of this report, East Asia Securities Company Limited has no position in securities of the company or companies mentioned herein the report, while BEA along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this report. BEA and its associates, its directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

BEA and/or any of its affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company or companies mentioned in this report and may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company or companies mentioned in the report.