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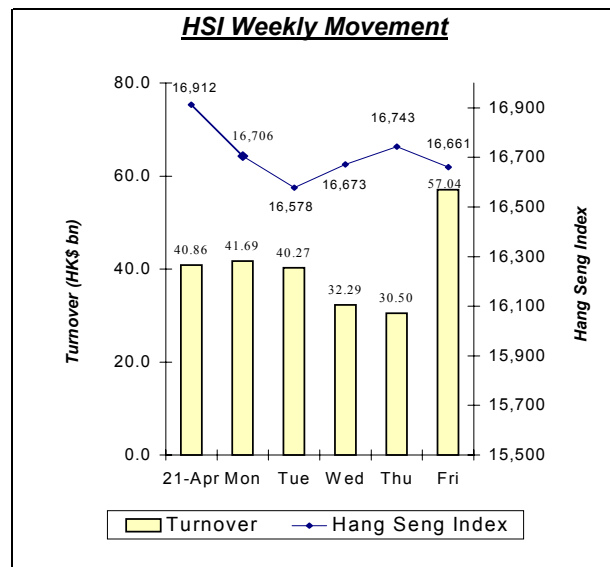
EAST ASIA SECURITIES COMPANY LIMITED

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

Dealing: 3608 8000 Research: 3608 8097 Facsimile: 3608 6132

HONG KONG RESEARCH**Restricted circulation**

Analyst: Kevin Tam

Weekly Report29th April 2006**Interest Rate Movements Weighed on HK Market**

Weekly Market Statistics				
Week ended	28/4/2006	21/4/2006	Change	%
Hang Seng Index	16,661.30	16,912.15	-250.85	-1.5%
HS Red Chip Index	2,369.08	2,448.14	-79.06	-3.2%
HS China Enterprises Index	6,835.15	7,194.76	-359.61	-5.0%
HS Composite Index	2,229.39	2,277.28	-47.89	-2.1%
HS HK Composite Index	2,201.34	2,226.59	-25.25	-1.1%
HS Mainland Composite Index	2,291.02	2,371.79	-80.77	-3.4%
S&P/HKEx GEM Index	1,259.26	1,310.39	-51.13	-3.9%
Avg Daily Turnover (HK\$ bn)	40.36	40.87	-0.51	-1.3%
Sectoral Indices				
Finance	28,256.27	28,542.69	-286.42	-1.0%
Utilities	33,088.26	32,997.09	+91.17	+0.3%
Properties	21,244.16	21,561.14	-316.98	-1.5%
Comm & Ind	8,314.15	8,487.81	-173.66	-2.0%

Review & Outlook of Market Performance

Encountering resistance at the 17,000 level and with oil prices surging above US\$75 per barrel, the Hang Seng Index lost 250.85 points w-o-w, or 1.5%, to close at 16,661.3. The Hang Seng Index seemed to have found its support at 16,500 as the market was expecting the US rate hike cycle to end quite soon following the comments of the US Fed Chairman, Bernanke on Thursday. Property and banking stocks outperformed during the week on a more benign interest rate outlook.

Meanwhile, H-share suffered a heavy retreat throughout the week. HSCEI lost 5% w-o-w, or 359.61 points to close at 6,835.15. Fears of austerity measures by the PRC government had triggered a long-awaited consolidation on H-share, which had risen over 30% throughout this year. However, after China's central bank announced raising its one year lending rate by 27bps, the HSCEI saw only a mild dip of 0.19%, which may suggest that investors are still confident on China's economy and the liquidity flow is still abundant.

CNOOC (883), China Construction Bank (939), and Yue Yuen Industries (551) announced share placements during the week. H shares have started announcing their respective 1Q06 operating figures. The disappointing updates on downstream players like Maanshan Iron & Steel (323) and Shanghai Petrochemical (338) suggested that sector selection is important despite the overall outlook on H-shares is generally optimistic. On the IPO front, it is reported that the Hong Kong Stock Exchange has approved the approximately US\$8 billion listing of Bank of China and Great Eagle revealed its HK\$7 billion REIT listing plan during the week. Meanwhile, Dalian Port, which received nearly 800 times over-subscription, had its debut trading on Friday with its shares closed at HK\$4.325, 68% higher than its offer price of HK\$2.575.

Next week, the Hong Kong market will have a short trading week of 3 days due to public holidays on Monday and Friday. It is expected that the HSI will have a better performance (particularly the banking and property counters) against the HSCEI as more evidence now supports the peaking of the US rate hike cycle. On the other hand, the HKCEI should under-perform as it is expected that the PRC government will launch more austerity measures in the near future.

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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							
28th April	11,367.14	2,322.57	16,906.23	2,610.71	949.23	768.29	7,171.77
21st April	11,347.45	2,342.86	17,403.96	2,603.45	948.19	773.06	7,093.05
Change	+19.69	-20.29	-497.73	+7.26	+1.04	-4.77	+78.72
%	+0.2%	-0.9%	-2.9%	+0.3%	+0.1%	-0.6%	+1.1%

Major Changes in Index Constituent Stocks (Week ended 28th April 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @28/4/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Johnson Electric	0179	6.55	-0.5	-7.09%	The Company issued a profit warning that FY06 net profit might drop by 30%-35% on surging copper prices and higher-than-expected restructuring cost.
CNOOC	0883	6.25	-0.45	-6.72%	Retreating oil prices and the US\$2.5 billion share placement (at HK\$6.15 per share) weighed on its share price.
China Merchant	0144	26.45	+0.95	+3.73%	The port asset sales of Hutchison Whampoa and overwhelming response on the IPO of Dalian Port lifted the valuation of the counter.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @28/4/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Maanshan Iron & Steel	0323	2.775	-0.375	-11.9%	The Company reported a 70% y-o-y drop in 1Q06 net profit. The tightening measure will have more negative impact on the industry, which has been suffering from over-capacity.
PICC Property and Casualty	2328	2.825	-0.625	-18.12%	Disappointing FY05 result, as a result of slowing growth and mediocre investment performance, dragged down its stock price.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @28/4/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen Investment	0604	2.3	2.8	-17.86%	The counter has gained over 100% over the year. Fear of austerity measures triggered profit taking.

Indicator	Change/Index	Comments
Consumer Confidence - April	109.6	The consumer confidence is way higher than the expected 105.5 and 107.2 in the prior month, suggesting consumer is still optimistic despite rising oil prices and interest rates.
Existing Home Sales - March	6.92 mn	The figure was higher than the expected 6.7 mn and roughly in-line with 6.9 mn in the prior month.
New Home Sales - March	1,213k	The figure was higher than the expected 1,125k and 1,066k in the prior month. Both housing figures alleviated worries over a housing market slowdown.
Durable Goods Orders - March	6.1%	The figure was higher than the expected 1.7%, and 3.4% in the prior month.
Initial Jobless Claims – the week ended 22 nd April	315k	The figure was slightly higher than the expected 310k and up from 304k in the prior week.
GDP y-o-y% – 1Q	4.8%	The figure was higher than 1.7% in 4Q05, but slightly lower than expectations of 4.9%.
GDP Deflator	3.3%	The figure topped estimates, due to rising energy costs.
Core GDP Deflator	2%	The figure was down from 2.4% in 4Q05, suggesting inflation pressure is still acceptable.

1 st May 2006 (Monday)	HK US	: : : : : : : :	Public Holiday Toys R Us Inc – FY06 Final Result ISM Purchasing Managers Index – April Personal Income – March Personal Spending – March PCE Deflator - March Construction Spending - March
2 nd May 2006 (Tuesday)	HK US	: : : : :	Convenience Retail Asia (8052) – 1QFY06 Result Retail Sales - March Hilton Hotel Corp – 1QFY06 Result Timberland Co. – 1QFY06 Result Verizon Communications – 1QFY06 Result Pending Home Sales – March
3 rd May 2006 (Wednesday)	US	: : : : : :	Procter & Gamble Co. – 3QFY06 Result Qwest Communication – 1QFY06 Result Starbucks Corp. – FY06 Interim Result Time Warner Inc – 1QFY06 Result ISM Non-Manufacturing – April Factory Orders – March
4 th May 2006 (Thursday)	HK US	: : : : : :	Manulife (0945) – 1QFY06 Result Eastman Kodak Co. – 1QFY06 Result Estee LauderEstee Lauder – 3QFY06 Result Productivity and Costs – 1Q06 Initial Jobless Claims – Week ended 30 April
5 th May 2006 (Friday)	HK US	: : : : : : : :	Public Holiday Pixar Inc – 1QFY06 Result Warner Music Group Corp – FY06 Interim Result Washington Post Co – 1QFY06 Result Change in Non-farm Payrolls – April Unemployment rate – April Average Hourly Earnings - April

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