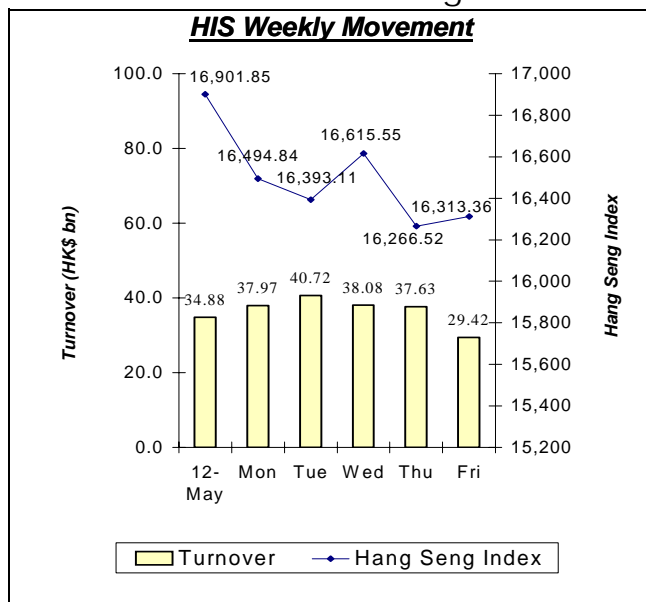


Market Plunged on Renewed Rate Hike concerns



<u>Weekly Market Statistics</u>				
Week ended	19/5/2006	12/5/2006	Change	%
Hang Seng Index	16,313.36	16,901.85	-588.49	-3.5%
HS Red Chip Index	2,253.13	2,385.19	-132.06	-5.5%
HS China Enterprises Index	7,042.31	7,377.94	-335.63	-4.5%
HS Composite Index	2,207.53	2,293.65	-86.12	-3.8%
HS HK Composite Index	2,181.32	2,251.03	-69.71	-3.1%
HS Mainland Composite Index	2,266.35	2,376.80	-110.45	-4.6%
S&P/HKEx GEM Index	1,175.22	1,274.34	-99.12	-7.8%
Avg Daily Turnover (HK\$ bn)	36.76	39.31	-2.55	-6.5%
Sectoral Indices				
Finance	29,141.50	29,787.11	-645.61	-2.2%
Utilities	32,213.34	32,837.19	-623.85	-1.9%
Properties	19,874.94	20,743.77	-868.83	-4.2%
Comm & Ind	7,904.13	8,281.15	-377.02	-4.6%

Review & Outlook of Market Performance

Tracking weakness of global markets, Hong Kong shares ended sharply lower. Global investors turned to unload their equity investments, as a larger-than-expected rise in core CPI showed inflationary pressure in the US remains a concern. Over the week, Hang Seng Index dropped 588 points or 3.48% to 16,313.36. Average daily turnover was HK\$36.76 billion, down from HK\$39.31 billion in the previous week.

32 out of the 33 HSI constituents ended in the negative territories during the week. Exporters and utility plays generally finished with a milder drop, thanks to a weaker US dollar and their defensive nature, respectively. Despite reports that it may lose weighting in the blue-chip index when H shares are also included in the HSI, bellwether HSBC Holdings dropped only 1.91% to HK\$138.30, after the banking counter turned ex-dividend last week. Excluding the ex-dividend impact, HSBC would have only dropped by approximately 1% from a week ago.

HSCEI plunged 4.55% w-o-w, mainly dragged by oil and metal plays amid a retreat in their respective commodity prices. Jiangxi Copper was the biggest loser in the H-share index during the week, down a sharp 19.46% to HK\$7.45. Sinopec nose-dived 9.81%, while heavyweight PetroChina fell 5.38% w-o-w.

Tianjin Port's US\$139 million share offering has received enormous market interests by setting a record 1,700 times over-subscription in its retail tranche. However, Champion REIT, a spin-off by Great Eagle Holdings of its Grade A Citibank Plaza in Central, only attracted muted response, as investors turned sceptical about its upside potential given its not too promising future yields and unclear interest rate outlook.

The blue-chip index seems to have found its initial support at around 16,200 and it is expected that selling pressure should ease a bit in the coming week after a deep correction. However, a sharp rebound is should be remote, as the interest rate outlook remains uncertain and market liquidity is drawn for the gigantic IPO of Bank of China Limited. We see the Index to range traded between 16,200 to 16,450 next 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 19th May	11,144.06	2,193.88	16,155.45	2,493.98	944.40	746.33	7,074.15
12th May	11,380.99	2,243.78	16,601.78	2,620.58	966.05	782.50	7,278.96
Change	-236.93	-49.90	-446.33	-126.60	-21.65	-36.17	-204.81
%	-2.1%	-2.2%	-2.7%	-4.8%	-2.2%	-4.6%	-2.8%

Major Changes in Index Constituent Stocks (Week ended 19th May 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @19/5/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants	0144	HK\$23.90	-HK\$2.75	-10.32%	Stock filings revealed that chairman FU Yu-Ning sold 400,000 shares at an average price of HK\$27.58 last week.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @19/5/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Dongfeng Motor	0489	HK\$3.375	-HK\$0.55	-14.01%	Investors took profit on Dongfeng Motor, as the stock has rallied for more than 70% so far in 2006. Meanwhile, the China Association of Automobile Manufacturers executive vice chairman Jiang Lei warned that a strong RMB may have a negative impact on Mainland car-makers' comparative advantage and accordingly, their future earnings.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @19/5/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Netcom	0906	HK\$13.10	-HK\$1.80	-12.08%	China Netcom was one of the worst performing red chips during the week. Meanwhile, the company said CEO Tian Suning resigned for personal reasons but would retain his role as vice chairman of the board.

Summary of US Economic News

Indicator	Change/Index	Comments
Industrial production – April	+0.8%	Industrial output surged 0.8% last month, beating consensus forecast of a 0.6% rise. Capacity utilization rose to 81.9%, slightly higher than 81.5% in March.
Housing starts – April	-7.5%	Housing starts continued to fall, seeing an annual rate of 1.85 million units in April, down from 2.00 million units in March. It fell below market expectations and was the slowest pace since December 2004.
Producer price index – April	+0.9%	PPI jumped 0.9% in April, mainly due to rising energy prices. Excluding the volatile food and energy prices, the core PPI gained a tame 0.1% last month, below consensus forecast of 0.2%.
Consumer price index – April	+0.6%	CPI surged a higher-than-expected 0.6% in April. Excluding the volatile food and energy prices, the core CPI rose 0.3% last month, reheating inflation worries and rate-hike fear.
Initial jobless claims – the week ended 13 th May 2006	+42,000	Initial jobless rate surged 42,000 last week to 367,000, higher than forecast of 319,000, mainly due to government layoffs in Puerto Rico.
Index of leading indicators – April	-0.1%	Leading indicators dipped 0.1% last month, rather than market expectations of a 0.2% rise.

Forthcoming Important Announcements / Events

22 nd May 2006 (Monday)	HK	:	Consumer price index – April 2006
	US	:	Tingyi (0322) – Q1 2006 results No important announcements/ events
23 rd May 2006 (Tuesday)	HK	:	Gross domestic product – Q1 2006
	US	:	Bank of Communications (3328) – Q1 2006 results Phillips-Van Heusen Corp – Q1 FY2006/07 results
24 th May 2006 (Wednesday)	HK	:	Tencent (0700) – Q1 2006 results
	US	:	Durable goods orders – April 2006 New home sales – April 2006
25 th May 2006 (Thursday)	HK	:	Lenovo Group (0992) – final results
	US	:	Initial jobless claims – week ended 20 th May 2006 Existing home sales – April 2006
26 th May 2006 (Friday)	HK	:	External trade – May 2006
	US	:	Personal income and spending – April 2006 Consumer sentiment – May 2006

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.