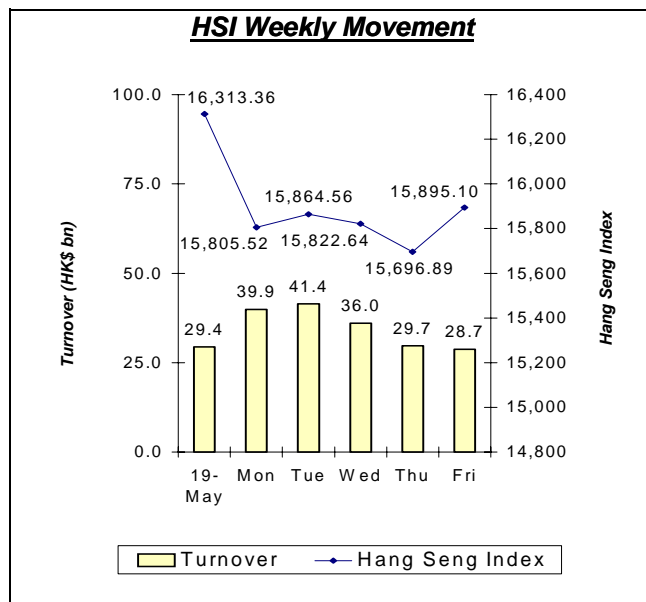


The market continued its downtrend on further rate hikes concerns



Weekly Market Statistics				
Week ended	26/05/2006	19/05/2006	Change	%
Hang Seng Index	15,895.10	16,313.36	-418.26	-2.6%
HS Red Chip Index	2,156.69	2,253.13	-96.44	-4.3%
HS China Enterprises Index	6,628.45	7,042.31	-413.86	-5.9%
HS Composite Index	2,135.22	2,207.53	-72.31	-3.3%
HS HK Composite Index	2,133.02	2,181.32	-48.30	-2.2%
HS Mainland Composite Index	2,158.96	2,266.35	-107.39	-4.7%
S&P/HKEx GEM Index	1,144.66	1,175.22	-30.56	-2.6%
Avg Daily Turnover (HK\$ bn)	35.16	36.76	-1.61	-4.4%
Sectoral Indices				
Finance	28,455.73	29,141.50	-685.77	-2.4%
Utilities	31,537.67	32,213.34	-675.67	-2.1%
Properties	19,730.33	19,874.94	-144.61	-0.7%
Comm & Ind	7,648.79	7,904.13	-255.34	-3.2%

Review & Outlook of Market Performance

Fears of further interest-rate hikes and slumping commodity prices dominated the local stock market most of the week. On Monday, the HSI and HSCEI tumbled 507.84 points and 398.29 points respectively, experiencing their biggest one-day slides in almost two years. The market later found support at the 15,700-point level and staged a rebound following a steadier performance by Wall Street on Thursday overnight. The HSI finished down 418.26 points, or 2.56% w-o-w, at 15,895.10. Average daily turnover dropped to HK\$35.16 billion.

Sentiment was initially hurt by news that the People's Bank of China would heighten measures – such as expanding open-market activities and raising deposit reserve ratios – to curb lending and investment on the Mainland. The poor sentiment was exacerbated by a steep and widespread decline in commodity prices, which triggered a massive sell-off in resources stocks. Zijin Mining plunged 12.64% w-o-w to HK\$3.8, while Jiangxi Copper dived 4.03% w-o-w to HK\$7.15, extending previous week's 19.46% slump. In the oil sector, PetroChina lost 4.55% w-o-w to HK\$8.4 and Sinopec declined 4.66% w-o-w to HK\$4.6. Mainland insurers also suffered, with China Life Insurance slumping 12.84% w-o-w to HK\$11.2 and Ping An Insurance sliding 6.68% w-o-w to HK\$21.65. The HSCEI ended down 5.88% w-o-w at 6,628.45.

The sell-off in H shares inevitably spilled to the blue chips, which fell together with other regional markets. China Mobile slipped 4.69% w-o-w to HK\$40.65 and China Unicom dropped 2.13% to HK\$6.9 despite their strong subscriber growth reported for April. Property stocks lost ground, along with lacklustre debut of Champion REIT, which closed 14.22% below its offer price of HK\$5.1. Sun Hung Kai Properties lost 2.12% w-o-w to HK\$ 80.75 and Henderson Land Development shed 1.32% w-o-w to HK\$41. The two developers are planning to launch a REIT IPO in Hong Kong next month.

Looking ahead, investors should remain cautious due to uncertain outlook for US interest rates and mixed signals emanating from US economic data. Nonetheless, cash tied up in the Bank of China's IPO will be released next week and shall provide a certain level of liquidity to the market. The HSI is likely to trade between 15,750 and 16,000.

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 26th May	11,278.61	2,210.37	15,970.76	2,445.02	930.75	717.50	6,879.51
19th May	11,144.06	2,193.88	16,155.45	2,493.98	944.40	746.33	7,074.15
Change	+134.55	+16.49	-184.69	-48.96	-13.65	-28.83	-194.64
%	+1.2%	+0.8%	-1.1%	-2.0%	-1.4%	-3.9%	-2.8%

Major Changes in Index Constituent Stocks (Week ended 26th May 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @26/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.275	-HK\$0.375	-14.15%	Lenovo reported an 85% plunge in net profit for the year ended 31/3/06 on restructuring cost for the business it acquired from IBM last year and marketing expenses.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @26/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Sinopec Shanghai Petrochemical	0338	HK\$3.425	-HK\$0.925	-21.26%	The latest fuel price hikes in China was not enough to turn around the firm's loss-making refining business.
China Life Insurance	2628	HK\$11.2	-HK\$1.65	-12.84%	China Life has joined a Citigroup-led consortium to bid for a controlling stake in Guangdong Development Bank.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @26/05/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$4.125	-HK\$0.3	-6.78%	A local newspaper reported that China was set to enforce a 12-year-old capital gains tax on property transactions to curb speculation in red-hot real estate markets in major cities.

Summary of US Economic News

Indicator	Change/Index	Comments
Durable Goods Orders – April	-4.8%	Durable goods orders fell more than expected last month as demands for aircraft and electronic products slowed.
New Home Sales – April	1.198 million units	New home sales defied predictions of a slowdown and rose 4.9% in April while prices climbed, although the supply of homes for sale hit a record.
GDP (Preliminary) – Q1	5.3% q-o-q	The US economy grew faster than initially estimated in the first quarter, reducing fears of accelerating inflation and more interest-rate hikes.
Initial Jobless Claims – week ended 20 th May 2006	329,000	Initial jobless claims last week edged down to 329,000 from previous week's 369,000.
Existing Home Sales – April	6.760 million units	Existing home sales slid 2.0% in April, roughly in line with expectations, as higher mortgage interest rates ate into buyers' ability to purchase homes.
Personal Income and Outlays – April	2.1%	Report on personal income and outlays showed that the prices paid by consumers on items other than food and energy, the Fed's preferred measures, climbed 2.1% over the 12-month period ending April, up from a 2% rise in March.

Forthcoming Important Announcements / Events

29 th May 2006 (Monday)	HK	:	IDT International (0167) – Final results
	US	:	I.T (0999) – Final results
30 th May 2006 (Tuesday)	US	:	Public Holiday – Memorial Day
	HK	:	Money Supply – April
31 st May 2006 (Wednesday)	US	:	Consumer Confidence – May
	CA Inc	:	Q4 results
1 st June 2006 (Thursday)	HK	:	Public Holiday – Tuen Ng Festival
	US	:	Chicago PMI – May
1 st June 2006 (Thursday)	FOMC	:	Minutes – 10 th May 2006 meeting
	Costco	:	Wholesale Corp – Q3 results
1 st June 2006 (Thursday)	Tiffany & Co	:	Q1 results
	US	:	Retail Sales – April
1 st June 2006 (Thursday)	Qin Jia Yuan Media Services (2366)	:	Interim results
	US	:	Bank of China (3988) – Trading debut
1 st June 2006 (Thursday)	US	:	Initial Jobless Claims – week ended 27 th May 2006
	US	:	Productivity and Costs – Q1 revised
1 st June 2006 (Thursday)	US	:	Construction Spending – April
	US	:	ISM Manufacturing Index – May
2 nd June 2006 (Friday)	HJ Heinz Co	:	Q4 results
	US	:	No Important Announcement / Event
2 nd June 2006 (Friday)	US	:	Nonfarm Payrolls – May
	US	:	Unemployment Rate – May
2 nd June 2006 (Friday)	US	:	Factory Orders – April

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.