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EAST ASIA SECURITIES COMPANY LIMITED

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

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

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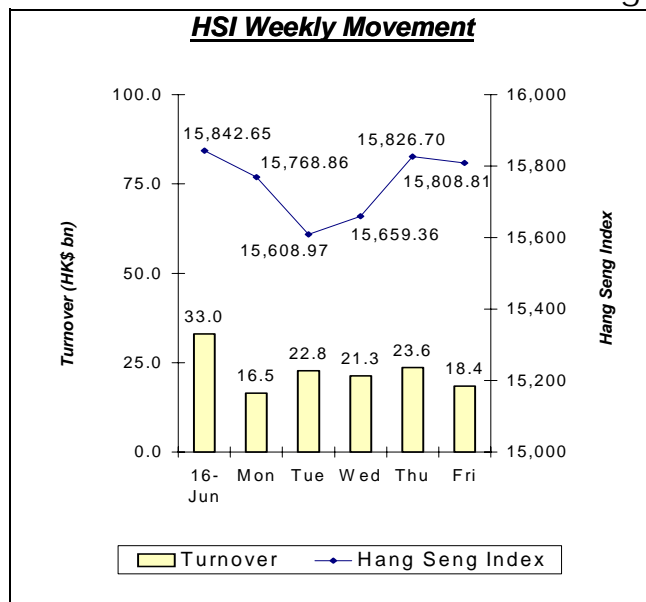
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Analyst: Stanley Lau

Weekly Report

24th June 2006

The market retreated on lingering interest-rate hike worries



Weekly Market Statistics				
Week ended	23/06/2006	16/06/2006	Change	%
Hang Seng Index	15,808.81	15,842.65	-33.84	-0.2%
HS Red Chip Index	2,164.96	2,173.12	-8.16	-0.4%
HS China Enterprises Index	6,267.92	6,340.96	-73.04	-1.2%
HS Composite Index	2,092.55	2,108.53	-15.98	-0.8%
HS HK Composite Index	2,086.49	2,099.28	-12.79	-0.6%
HS Mainland Composite Index	2,121.41	2,142.12	-20.71	-1.0%
S&P/HKEx GEM Index	1,144.72	1,138.03	+6.69	+0.6%
Avg Daily Turnover (HK\$ bn)	20.53	30.31	-9.78	-32.3%
Sectoral Indices				
Finance	28,386.26	28,499.65	-113.39	-0.4%
Utilities	31,310.43	31,025.24	+285.19	+0.9%
Properties	18,937.74	19,168.39	-230.65	-1.2%
Comm & Ind	7,655.38	7,652.05	+3.33	+0.0%

Review & Outlook of Market Performance

The local stock market tracked Wall Street's uninspiring performance on lingering interest-rate hike worries. Further credit-tightening move by the Mainland also added to the negative tone. The market had a rebound after it touched an intraday low of 15,520 on Wednesday but investor caution held back a stronger recovery. The HSI finished down 33.84 points, or 0.21% w-o-w, at 15,808.81. Trading activities were subtle throughout the week, with an average daily turnover of just HK\$20.53 billion.

Atlanta Fed President said on Monday that inflation figures were at the upper end of the Fed tolerance, reinforcing previous comments from other Fed officials that the US central bank might keep raising interest rates to fend off inflation. The interest-rate factor put a strain on the local market, with rate-sensitive banking and property stocks under the most pressure. The HS finance and properties sub-indices were down 0.40% w-o-w and 1.20% w-o-w respectively. Meanwhile, PCCW and its related units were in the limelight, posting sharp gains on news that several parties, including Macquarie Bank and Newbridge Capital, were interested in acquiring its telecoms and media-related assets. PCCW rallied 14.58% w-o-w to HK\$5.5, while its unit Sunday Communications soared 11.76% w-o-w to HK\$0.57.

The People's Bank of China announced late last Friday that it would raise the bank deposit reserve ratio by half a percentage point to help curb growth in money supply. Fears that tighter credit would harm investment in the property sector drove down Mainland property and construction plays. China Resources Land plunged 11.46% w-o-w to HK\$3.475 and China Overseas Land & Investment slipped 6.98% w-o-w to HK\$4, while Anhui Conch Cement slumped 11.03% w-o-w to HK\$11.7. Mainland banking stocks also reeled from the credit-tightening move, with China Construction Bank down 1.48% w-o-w at HK\$3.325 and Bank of China 0.73% w-o-w lower at HK\$3.4. Overall, the HSCEI and HSCCI lost 1.15% w-o-w and 0.38% w-o-w respectively.

The Fed is widely expected to lift interest rates by another 0.25% at its policy meeting on June 28-29. More of the focus will be on the Fed's accompanying statement for clues on any further interest-rate hikes after June. The HSI should find initial support at 15,500 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 23rd June	10,989.09	2,121.47	15,124.04	2,343.03	906.34	659.52	6,452.31
16th June	11,014.55	2,129.95	14,879.34	2,373.91	893.50	665.39	6,575.77
Change	-25.46	-8.48	+244.70	-30.88	+12.84	-5.87	-123.46
%	-0.2%	-0.4%	+1.6%	-1.3%	+1.4%	-0.9%	-1.9%

Major Changes in Index Constituent Stocks (Week ended 23rd June 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @23/06/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Yue Yuen Industrial	0551	HK\$20.4	-HK\$0.55	-2.63%	Yue Yuen posted an interim net profit of US\$168.3 million, up from US\$146.2 million a year earlier. However, rising raw material and staff costs eroded its gross margin by 0.8 percentage point to 23.4%.
Johnson Electric Holdings	0179	HK\$5.6	-HK\$0.4	-6.67%	The micro-motor maker receded on worries that its key US market would face an economic slowdown if interest rates were going up further.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @23/06/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Air China	0753	HK\$2.975	-HK\$0.2	-6.30%	Air China has proposed to pay up to HK\$3.23 billion to privatise its unit China National Aviation Co (1110).
Zijin Mining	2899	HK\$3.35	-HK\$0.275	-7.59%	Zijin Mining plans to invest US\$20 million to acquire a majority stake in a Shangdong-based gold smelter.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @23/06/06	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$16.25	+HK\$0.65	+4.17%	COSCO Pacific has agreed to sell 59.6% of its container-leasing business to a third party for US\$869 billion.

Summary of US Economic News

Indicator	Change/Index	Comments
Housing Starts – May	1.957 million units	The pace of housing construction rose a greater than expected 5% in May after three months of declines, but building permits for future projects fell 2.1%.
Initial Jobless Claims – week ended 17 th June 2006	308,000	Initial Jobless Claims rose 11,000 last week, broadly in line with expectations and signalling a still-healthy job market.
Durable Goods Orders – May	-0.3%	Durable goods orders unexpectedly fell 0.3% in May as aircraft orders dived.

Forthcoming Important Announcements / Events

26 th June 2006 (Monday)	HK	:	External Trade – May
	US	:	Lee & Man Paper Manufacturing (2314) – Final results New Home Sales – May Walgreen Co – Q3 results
27 th June 2006 (Tuesday)	HK	:	Balance of Payments – Q1 Wheelock & Co (0020) – Final results
	US	:	Consumer Confidence – June Existing Home Sales – May Nike Inc – Q4 results
28 th June 2006 (Wednesday)	HK	:	Miramar Hotel & Investment Co (0071) – Final results Dickson Concepts (International) (0113) – Final results
	US	:	FOMC Meeting Begins
29 th June 2006 (Thursday)	HK	:	Sa Sa International Holdings (0178) – Final results HKR International (0480) – Final results The Link REIT (0823) – Final results
	US	:	GDP – Q1 Final Initial Jobless Claims – week ended 24 th June 2006 FOMC Announcement Monsanto Co – Q3 results
30 th June 2006 (Friday)	HK	:	Money Supply – May
	US	:	Personal Income and Outlays – May Consumer Sentiment – June Chicago PMI – June

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