



BEA securities

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

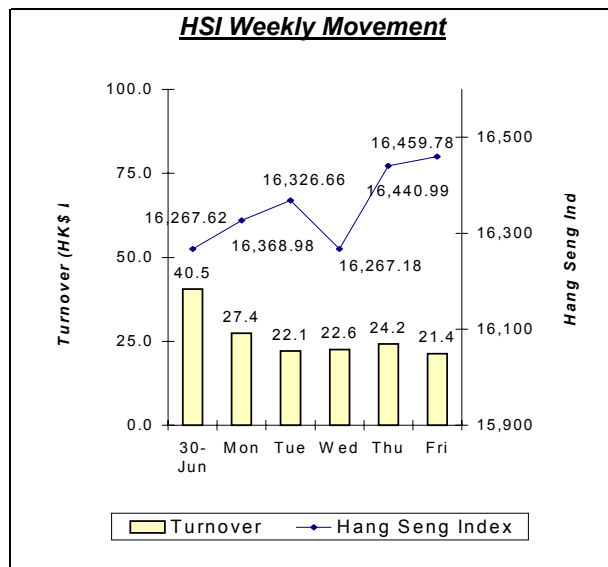
Restricted circulation

Analyst: Kevin Tam

Weekly Report

7th July 2006

Market continued rebounding on benign rate outlook



Weekly Market Statistics				
Week ended	07/07/2006	30/06/2006	Change	%
Hang Seng Index	16,459.78	16,267.62	+192.16	+1.2%
HS Red Chip Index	2,345.62	2,303.55	+42.07	+1.8%
HS China Enterprises Index	6,837.77	6,784.60	+53.17	+0.8%
HS Composite Index	2,198.65	2,182.73	+15.92	+0.7%
HS HK Composite Index	2,150.78	2,137.18	+13.60	+0.6%
HS Mainland Composite Index	2,288.31	2,268.92	+19.39	+0.9%
S&P/HKEx GEM Index	1,174.59	1,178.32	-3.73	-0.3%
Avg Daily Turnover (HK\$ bn)	23.53	26.73	-3.20	-12.0%
Sectoral Indices				
Finance	28,966.73	28,721.55	+245.18	+0.9%
Utilities	31,994.18	31,515.30	+478.88	+1.5%
Properties	19,576.75	19,576.66	+0.09	+0.0%
Comm & Ind	8,133.15	7,998.64	+134.51	+1.7%

Review & Outlook of Market Performance

The Hong Kong stock market continued rebounding over the week on more US economic data pointing to a slowing economy and hence a more benign rate outlook. The missile test in North Korea, to a certain extent, did help the local market as it was being viewed as a temporary “shelter” for funds. Led by commercial stocks like China Merchants (up 6.77% w-o-w) and Li & Fung (up 5.41% w-o-w), Hang Seng Index gained 1.2%, or 192.16 points w-o-w to close 16,459.78. Meanwhile, commodities stocks like Zijin Mining (up 8.39% w-o-w) and Jiangxi Copper (up 8.33% w-o-w), lifted the HSCEI up 0.8%, or 53.17 points w-o-w, at 6,837.77. Average daily turnover was HK\$23.53 billion, down HK\$3.2 billion w-o-w.

The PCCW saga continues. After the board meeting on this Monday, Chairman Richard Li said the board of PCCW aims to decide this month on the competing offers for its core telecommunication and media assets. However, given China Netcom’s firm stand against the proposed deal, it is speculated the two bidders, Australia’s Macquarie Bank and US private equity firm Newbridge Capital may eventually pull-off and a third bidder with Chinese background is likely to emerge.

On the IPO front, Bank of China, raised 20 billion yuan in the China’s largest IPO, made its debut on Shanghai A-share Exchange on Wednesday. Bank of China’s A-share closed at RMB3.79 per share on Wednesday, 23% above its IPO price of RMB3.08, or at a 4% premium to its H-shares. Meanwhile, Shimao Property Holdings priced its IPO at HK\$6.25 each, the bottom of the indicated range. The property developer attracted weak investor demand with only 2.5 times subscription in institutional tranche and only 54% covered in the retail offering. On its debut trading on Wednesday, shares of Shimao closed at HK\$6.6, 5.6% above its issue price.

Looking forward, the market will continue to dominate by the US interest rate outlook. However, mixed economic data on inflation outlook in the US has added volatility to the US markets. Nevertheless, speculation of a new round of RMB reform shall provide some support to the local market. We see the HSI to consolidate at the 16,500 level pending more economic data on the US inflation outlook for direction.

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							
7th July	11,090.67	2,130.06	15,307.61	2,445.13	925.56	686.11	6,660.61
30th June	11,150.22	2,172.09	15,505.18	2,435.39	914.69	678.13	6,704.41
Change	-59.55	-42.03	-197.57	+9.74	+10.87	+7.98	-43.80
%	-0.5%	-1.9%	-1.3%	+0.4%	+1.2%	+1.2%	-0.7%

Major Changes in Index Constituent Stocks (Week ended 7th July 2006)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @07/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Merchants Holdings	0144	HK\$25.25	+HK\$1.6	+6.77%	China Merchants remained the strongest performing blue - chips because its port business is a direct beneficiary of the booming Chinese exports.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @07/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Zijin Mining	2899	HK\$4.2	+HK\$0.325	+8.39%	Gold price rebounded back to US\$630/oz lifted the performance of this leading Chinese gold miner.
Datang Power	0991	HK\$5.1	-HK\$0.3	-5.56%	Datang reached an agreement with a coal producer to set up a RMB1.08 bn power plant. But the market response was negative, possibly because this joint venture contradicted with Datang's recent strategy to divert into environmental friendly nuclear and hydropower generation.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @07/07/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$3.975	-HK\$0.275	-6.47%	Rumour has it that the Chinese government is going to launch a new round of cooling measures on the property sector.



Summary of US Economic News

Indicator	Change/Index	Comments
Construction Spending (MoM) – May	-0.4%	The figure was lower than the expected 0.2% increase and -0.1% in the prior month, indicating a slow down in housing activities.
ISM Manufacturing	53.8	The figure was lower than the expected 55 and 54.4 in the prior month, indicating a slow down in manufacturing activities.
Factory Orders – May	0.7%	The figure was better than the expected 0.1% increase and -1.8% drop in the prior month.
Initial Jobless Claims – week ended 2 July	313k	The figure stayed largely unchanged with 315k in the prior week.
ISM Non-Manufacturing – June	57	The figure was lower than the forecasted 59 and 60.1 in the prior month, indicating a slow down in service activities.
Change in Non-farm Payrolls – June	+121k	Though the payroll increase was larger than the 92k in the prior month, the increase was lower than the expected 160k. This was the third month in a row that the payroll fell short of forecast.
Unemployment rate – June	4.6%	The unemployment rate stayed in line with forecast.
Average Hour Earnings - June	+0.5%	This was the biggest gain since 2001 and higher than forecast of +0.3%, indicating inflationary pressure.

Forthcoming Important Announcements / Events

10 th July 2006 (Monday)	HK US	: Kingmaker Footwear (1170) – Final Results : Advanced Mirco Devices – FY06 Interim Results Alcoa – FY06 Interim Results
11 th July 2006 (Tuesday)	HK US	: Café de Coral (0341) – Final Results : Pespi Bottling Group – FY06 Interim Results
12 th July 2006 (Wednesday)	HK US	: AMS Public Transport (0077) – Final Results : Victory City International (0539) – Final Results : Digital China (0861) – Final Results : Trade Balance – May
13 th July 2006 (Thursday)	HK US	: Chevalier International (0025) – Final Results : Asia Standard Hotel (0292) – Final Results : Peace Mark (0304) – Final Results : Marriott International – FY06 Interim Results PepsiCo – FY06 Interim Results : Initial Jobless Claims – Week ended 9 July
14 th July 2006 (Friday)	HK US	: Sun Hing Vision (0125) – Final Results : Moiseille International (0130) – Final Results : Guangdong Kelon (0921) – Final Results : Imported Price Index - June : Advanced Retail Sales – June : University of Michigan Confidence (Preliminary) - July
15 th July 2006 (Saturday)	HK US	: Far East Consortium (0035) – Final Results : No Important News/ Announcement

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.