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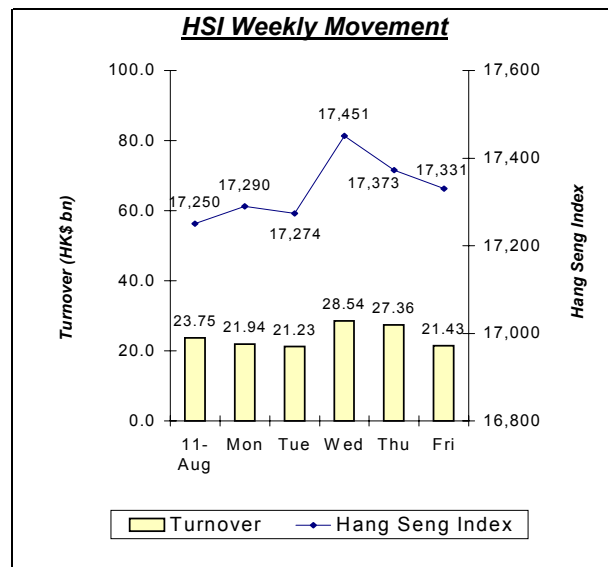
EAST ASIA SECURITIES COMPANY LIMITED

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

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

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Analyst: Kevin Tam

Weekly Report19th August 2006**A week of Consolidation for the Hang Seng Index****Weekly Market Statistics**

Week ended	18/8/2006	11/8/2006	Change	%
Hang Seng Index	17,331	17,250	+81	+0.5%
HS Red Chip Index	2,568	2,568	-1	-0.0%
HS China Enterprises Index	6,990	7,002	-12	-0.2%
HS Composite Index	2,294	2,282	+12	+0.5%
HS HK Composite Index	2,235	2,212	+23	+1.1%
HS Mainland Composite Index	2,400	2,404	-4	-0.1%
S&P/HKEx GEM Index	1,118	1,130	-12	-1.1%
Avg Daily Turnover (HK\$ bn)	24.10	23.99	+0.11	+0.5%
Sectoral Indices				
Finance	29,627	29,745	(118)	-0.4%
Utilities	33,162	32,647	515	+1.6%
Properties	20,885	20,479	406	+2.0%
Comm & Ind	8,748	8,690	58	+0.7%

Review & Outlook of Market Performance

The local stock market performed strongly at the beginning of the week on strong corporate results and benign interest rate outlook. On Wednesday, the Hang Seng Index reached another new six-year high of 17,451. However, trading volume still remained relatively thin. Profit taking emerged later on the week. Over the week, the Hang Seng Index advanced 0.5% to 17,331 with average daily turnover of HK\$24.1 billion, some HK\$110 million higher than in the previous week.

China Mobile reported its first-half earnings growth of 25.5% to RMB 30.2 billion as profit margins widened from expansion in lower-cost rural regions on the Mainland, as well as increased sales of higher-margin data services. Excluding the accounting changes on depreciation, the net profit would have been higher than expected. The mobile giant leaped 0.29% to close at HK\$51.65 over the week. Pending HSI constituency Hong Kong Exchanges and Clearing reported a better-than-expected 94% surge in net profit of HK\$1.1 billion for 1H2006, thanks to a surge in trading volume driven by a flood of share sales by Mainland companies. Over the week the counter gained 4.7% to close at HK\$54.35.

HSCEI dropped 0.2% to 6,990 as retreating commodities prices dragged down the performance of relevant stocks. PetroChina lost 3.63% to HK\$8.76 over the week. Zijin Mining plunged 3.2% to HK\$3.9 over the week. Ping An Insurance reported net profit surged 83.4% to RMB4.1 billion for 1H06, driven by better-than-expected returns on equity investments. The insurer suffered from profit taking and slipped 0.59% to close at HK\$25.35 over the week. Meanwhile, Huaneng Power International posted a 29% rise in first-half profit, beating estimates, as it charged more for electricity and thermal coal prices steadied. The power generator advanced 2.94% to close at HK\$5.26 over the week.

Given PBOC's decision on Friday to raise interest rate by 27 bps, the local stock market may continue its consolidation in the coming week. In particular, China property and commodities should experience heavier selling pressure. Nevertheless, with encouraging corporate results announced so far and a likely US rate peak scenario, we expect any consolidation next week should be mild. We see the HSI should have good support to stay above the 17,000 level.

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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							
18th August	11,381.47	2,163.95	16,105.98	2,483.53	942.00	708.49	6,721.08
11th August	11,088.03	2,057.71	15,565.02	2,450.63	942.27	708.42	6,571.10
Change	+293.44	+106.24	+540.96	+32.90	-0.27	+0.07	+149.98
%	+2.6%	+5.2%	+3.5%	+1.3%	-0.0%	+0.0%	+2.3%

Major Changes in Index Constituent Stocks (Week ended 18th August 2006)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @18/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
Esprit	0330	HK\$64.55	+HK\$6.9	+11.97%	Strengthening EURO and decent economic figures from the EURO zone lifted the stock price of this Europe retailer.
Li & FUNG	0494	HK\$17.9	+HK\$0.58	+3.35%	The trading company beat expectations with a 24% jump in interim earnings and released an optimistic earnings guideline.

Hang Seng China Enterprises Index (HSCFI)

Stock	Stock Code	Closing Price @18/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
PetroChina	0857	HK\$8.76	-HK\$0.33	-3.63%	The oil explorer saw profit taking as oil prices retreated to around US\$70 per barrel on hope that a peace deal between Israel and Hizbullah can be reached.
Yanzhou Coal	1171	HK\$5.64	-HK\$0.24	-4.08%	The coal producer reported a 24% y-o-y reduction in interim net profit to RMB1.43 billion, reflecting declining output and cost pressure.

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @18/8/06	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$5.07	+HK\$0.47	+10.22%	China property stocks performed strongly as investors got back into the sector on hope that tightening measures were over.



Summary of US Economic News

Indicator	Change/Index	Comments
Producer Price Index (y-o-y) - July	4.2%	The PPI gain was lower than expected and declined from 4.9% in the previous month. The core PPI (excluding food and energy) also showed a similar slow down (1.3% vs. 1.9% in June).
Consumer Price Index – (y-o-y) July	+4.1%	The CPI gain was lower than expected and declined from 4.3% in the previous month. However, the core CPI (excluding food and energy) increased by 2.7%, up slightly from 2.6% in June.
Housing Starts - July	1795k	The figure fell below expectations and was significantly lower than 1,850k in the prior month.
Housing Permits - July	1747k	The figure fell below expectations and was significantly lower than 1,862k in the prior month.
Initial jobless claims – week ended 13 th August 2006	312k	Initial jobless rate slid to 312k from 319k in the prior week.
Leading indicators - July	-0.1%	The figure fell below expectations and was significantly below 0.1% in the prior month.
Industrial Production – July	0.4%	The industrial production growth fell to 0.4% from 0.8% in July. Consensus was at 0.6%.
U of Michigan Confidence (preliminary) – August	78.7	Down from 84.7 in July, the surprising weak consumer confidence reaffirm the US economy is slowing.

Forthcoming Important Announcements / Events

21 st August 2006 (Monday)	HK	:	China Oilfield (2883) – interim results Hang Lung Property (0101) – final results CITIC Pacific (0267) – interim results China Overseas (0688) – interim results
	US	:	No important events/ announcements
22 nd August 2006 (Tuesday)	HK	:	Jiangxi Copper (0358) – interim results Guangshen Railway (0525) – interim results Anhui Conch (0914) – interim results China Shipping Development (1138) – interim results Bank of Communications (3328) – interim results CPI - July GDP – 2Q06
	US	:	No important events/ announcements
23 rd August 2006 (Wednesday)	HK	:	Wharf Holdings (0004) – interim results PetroChina (0857) – interim results China Netcom (0906) – interim results Chalco (2600) – interim results
	US	:	Existing Home Sales – July
24 th August 2006 (Thursday)	HK	:	Cheung Kong Holdings (0001) – interim results Hutchison Whampoa (0013) – interim results TVB (0511) – interim results Giordano (0709) – interim results China Unicom (0762) – interim results ZTE (0763) – interim results CCB (0939) – interim results
	US	:	Durable Good Orders – July New Home Sales – July Initial Jobless Claims – week ended 20 Aug
25 th August 2006 (Friday)	HK	:	Sinopec Corp (0386) – interim results Beijing Airport (0694) – interim results China Shenhua (1088) – interim results
	US	:	External Trade – July No important events/ announcements

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