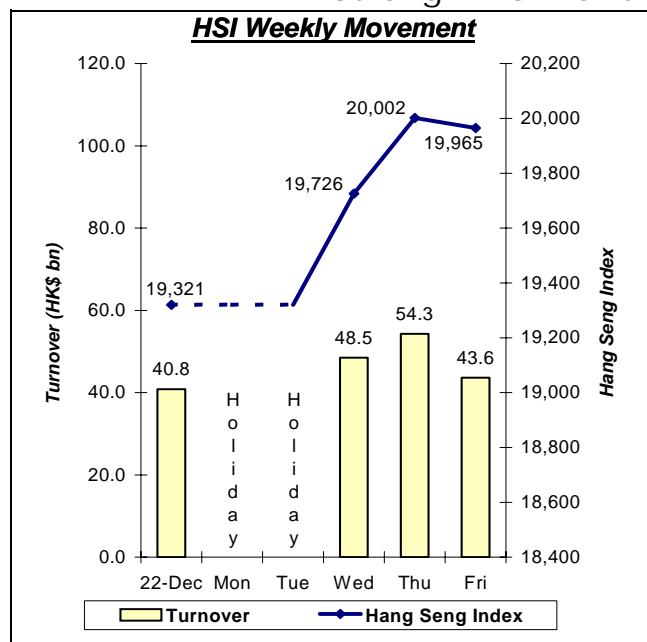


A strong finish for the local bourse in 2006



Weekly Market Statistics				
Week ended	29/12/2006	22/12/2006	Change	%
Hang Seng Index	19,965	19,321	+644	+3.3%
HS Red Chip Index	3,330	3,161	+170	+5.4%
HS China Enterprises Index	10,340	9,593	+747	+7.8%
HS Composite Index	2,803	2,693	+109	+4.1%
HS HK Composite Index	2,454	2,409	+45	+1.9%
HS Mainland Composite Index	3,285	3,093	+193	+6.2%
S&P/HKEx GEM Index	1,225	1,211	+14	+1.1%
Avg Daily Turnover (HK\$ bn)	48.8	48.9	-0	-0.2%
Sectoral Indices				
Finance	32,429	31,584	+845	+2.7%
Utilities	35,794	35,694	+99	+0.3%
Properties	23,144	22,455	+690	+3.1%
Comm & Ind	10,620	10,196	+425	+4.2%

Review & Outlook of Market Performance

The local bourse returned to action after the Christmas break and had a cheerful 3-day trading week, mainly driven by mainland-related shares. Talks on a plan to set a unified corporate income tax rate of 25%, a move that will scrap the countries decade-old preferential treatment for foreign companies, fuelled the rally for the mainland firms, which are currently subject to a tax rate of 33%. Hectic trading amid bullish sentiment and year-end window-dressing activities propelled the Hang Seng Index to break through the 20,000-point mark on Thursday. However, with profit-taking set in on Friday, the HSI finished the week at 19,964.72, up 644 points or 3.3% over the week. Average daily turnover for the shortened week was HK\$48.8 billion.

Mainland telecoms were the main drivers for the blue-chip index on resurgence of talks on 3G license issuance. China Mobile, China Unicom and China Netcom all gained more than 5% in this week's trades. Meanwhile, BOC Hong Kong was the top performer among the blue chips this week on expectations that Hong Kong lenders will be able to offer a broader range of Renminbi-related services. The lender hit a fresh record closing high at HK\$21.10 on Friday, up 10.4% w-o-w. BEA also gained 4.1% w-o-w to close at HK\$44.05.

The surge in the A-share market during the Christmas break powered the H shares. In particular, performances of financial stocks in the Mainland were eye-catching as they were tipped as the major beneficiaries in the possible new tax system. Continued talks on A-share listings on the Mainland bourse also drove the H-share financials to new highs during the week amid the strong demand for China Life Insurance's Shanghai IPO. The top life insurer in the Mainland, which had priced its A-share issue at RMB18.88 per share, finished the week at HK\$26.55, up 9.0% w-o-w. With all but four constituents finishing in the positive territory, the H-share index ended the week up 7.8% w-o-w at 10,340.36.

As a wrap-up for the 2006, the HSI recorded a 34.2% gain or up 5,089 points over the year while the HSCEI registered a whopping 94% jump. Looking forward, China-related shares should remain the market focus and trading is expected to be volatile. In the near term, a healthy consolidation in the local market seems inevitable after the recent rally. Nevertheless, it is expected the correction should be short-lived given the still ample liquidity. The HSI is expected to see firm support at 19,500 to kick off Year 2007.

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							
29th December	12,501.52*	2,425.57*	17,225.83	2,985.83	1,096.24	679.84	7,823.72
22nd December	12,343.22	2,401.18	17,104.96	2,942.39	1,079.72	680.31	7,652.47
Change	+158.30	+24.39	+120.87	+43.44	+16.52	-0.47	+171.25
%	+1.3%	+1.0%	+0.7%	+1.5%	+1.5%	-0.1%	+2.2%

Remark (*): closing as of 28th December 2006

Major Changes in Index Constituent Stocks (Week ended 29th December 2006)
Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @29/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
HKEx	0388	HK\$85.50	+HK\$6.95	+8.85%	Brisk trading turnover and IPO pipelines for the coming year fuelled the bourse operator to new highs.
BOC Hong Kong	2388	HK\$21.10	+HK\$1.98	+10.36%	The lender shot up on expectation that banks in Hong Kong will be able to expand the scope of Renminbi businesses soon.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @29/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
Sinopec	0386	HK\$7.20	+HK\$0.48	+7.14%	The mainland's top oil refiner said it had received RMB5 billion as compensation from the central government for refining losses in 2006. Corporate tax news and hopes for an A-share listing next year propelled the oil major. Hopes of future A-share listing in the Mainland stock market continued to pop up financial counters in the Mainland amid the well-received China Life Insurance's A-share IPO.
PetroChina	0857	HK\$11.02	+HK\$0.64	+6.17%	
CCB	0939	HK\$4.95	+HK\$0.33	+7.14%	
Ping An	2318	HK\$43.05	+HK\$4.75	+12.40%	
PICC P&C	2328	HK\$3.99	+HK\$0.55	+15.99%	
China Life	2628	HK\$26.55	+HK\$2.20	+9.03%	
Bank of Communications	3328	HK\$9.44	+HK\$1.02	+12.11%	

Hang Seng China-Affiliated Corporations Index (HSCCI)

Stock	Stock Code	Closing Price @29/12/06	W-O-W Change		Remarks / Comments
		HK\$	Absolute	%	
China Unicom	0762	HK\$11.40	+HK\$0.84	+7.95%	Shares of these telecom counters all went up on resurgence of talks on the imminent issue of 3G license and the possible unification of Mainland's corporate tax system in 2007 that may lower the tax rate to 25% from the current 33%.
China Netcom	0906	HK\$20.85	+HK\$1.39	+7.14%	
China Mobile	0941	HK\$67.20	+HK\$3.20	+5.00%	

Summary of US Economic News

Indicator	Change/Index	Comments
New home sales – November 2006	+3.4% m-o-m	Sales of new homes were unexpectedly strong in November, rising 3.4% to an annual rate of 1.047 million units from an upwardly-revised 1.013-million-unit pace in October.
Consumer confidence – December 2006	109.0	The Conference Board's consumer confidence index rose to a better-than-expected 109.0 in December from a revised 105.3 in November as concerns about the job market faded.
Initial jobless claims – week ended 23 rd December 2006	+1,000	The number of workers applying for jobless benefits rose a smaller-than-expected 1,000 to 317,000, showing a stable job market.
Existing home sales – November 2006	+0.6% m-o-m	Existing home sales increased 0.6% to a higher-than-expected annual rate of 6.28 million units in November, suggesting the slumping property market is stabilising.

Forthcoming Important Announcements / Events

1 st January 2007 (Monday)	HK US	: : New Year's Day holiday New Year's Day holiday
2 nd January 2007 (Tuesday)	HK US	: : Retail sales – November 2006 ISM manufacturing index – December 2006 Accenture Ltd – Q1 2007 results
3 rd January 2007 (Wednesday)	HK US	: : No important announcements / events Minutes of FOMC Meeting held on 12th December 2006 Construction spending – November 2006
4 th January 2007 (Thursday)	HK US	: : No important announcements / events Factory orders – November 2006 ISM non-manufacturing index – December 2006 Initial jobless claims – week ended 30th December 2006 Constellation Brands Inc – Q3 2006 results
5 th January 2007 (Friday)	HK US	: : No important announcements / events Unemployment rate – December 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.