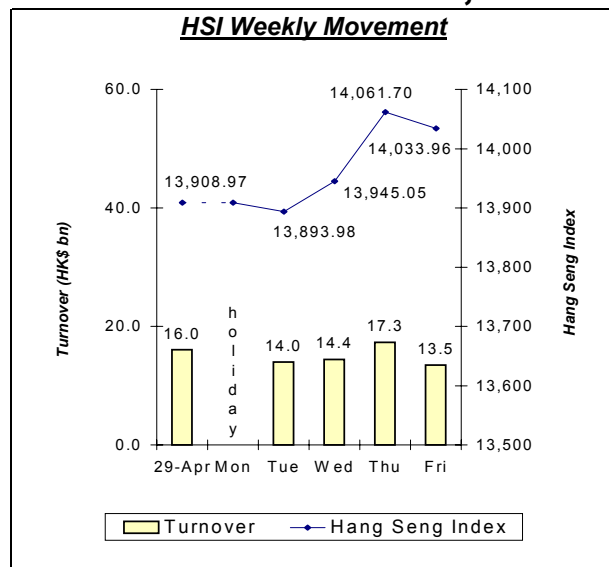


## The HSI broke 14,000 on easing interest-rate pressure



<b>Weekly Market Statistics</b>				
Week ended	06/05/2005	29/04/2005	Change	%
Hang Seng Index	14,033.96	13,908.97	+124.99	+0.9%
HS Red Chip Index	1,584.96	1,562.22	+22.74	+1.5%
HS China Enterprises Index	4,737.84	4,657.70	+80.14	+1.7%
HS Composite Index	1,808.30	1,792.11	+16.19	+0.9%
HS HK Composite Index	1,909.84	1,896.60	+13.24	+0.7%
HS Mainland Composite Index	1,613.16	1,590.69	+22.47	+1.4%
S&P/HKEx GEM Index	917.75	915.86	+1.89	+0.2%
Avg Daily Turnover (HK\$ bn)	14.79	15.47	-0.68	-4.4%
<b>Sectoral Indices</b>				
Finance	27,070.27	26,810.98	+259.29	+1.0%
Utilities	30,578.15	30,598.91	-20.76	-0.1%
Properties	17,400.32	17,252.96	+147.36	+0.9%
Comm & Ind	6,222.73	6,161.65	+61.08	+1.0%

## Review & Outlook of Market Performance

The HSI jumped above the psychological level of 14,000 as concerns over higher local interest rates showed sign of easing. Market sentiment also received a boost after rating agency Standard & Poor's revised the outlook for Hong Kong's A-plus foreign currency rating from neutral to positive. The HSI gained 124.99 points, or 0.90%, over the week to close at 14,033.96. Average daily turnover was HK\$14.79 billion.

The US Federal Reserve raised the Fed Fund target rate by another 25 bps to 3% and retained its pledge to raise rates at a measured pace. Major local banks left their prime lending rates unchanged on ample liquidity in the domestic banking system. Brushing off fears over an imminent interest-rate rise, property stocks performed well, with the HS Properties sub-index gaining 0.85% w-o-w. Sun Hung Kai Properties was the top performer among blue-chip developers during the week, rising 1.68% w-o-w to HK\$75.75.

China-related shares held up better than blue chips amid renewed speculation over a yuan revaluation. The HSCEI and the HSCCI edged up 1.72% w-o-w and 1.46% w-o-w respectively. Toll-road and other transport operators, which are regarded as beneficiaries on a yuan revaluation, continued to attract buying interest. Beijing Capital International Airport jumped 4.59% w-o-w to HK\$2.85, Guangshen Railway gained 2.80% w-o-w to HK\$2.75 and Jiangsu Expressway added 2.10% w-o-w to HK\$3.65. Mainland telecom stocks were also firmer on increasing optimism over a potential restructuring of China's telecom sector ahead of the launch of 3G networks. China Mobile rose 1.85% w-o-w to HK\$27.5, while China Telecom surged 3.81% w-o-w to HK\$2.725.

Most retailers and hotel operators failed to benefit from reports that mainland visitors increased 7.7% from a year ago to 175,791 in the first three days of the Labour Day Golden Week holiday. Giordano International slid 1.85% w-o-w to HK\$5.3, while Shangri-la Asia dropped 2.94% w-o-w to HK\$11.55.

Looking forward, expectations for no imminent rate hikes should prevail in the near term and should accordingly provide support to the market. However, the upward momentum seems less promising as investors start scaling back their positions for a yuan revaluation following recent rallies. The HSI is expected to trade between 13,900 and 14,200 in the coming week.

**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							
6th May	10,345.40	1,967.35	11,192.17	2,161.22	901.22	689.36	5,967.96
29th April	10,192.51	1,921.65	11,008.90	2,125.25	878.96	658.88	5,818.07
<b>Change</b>	+152.89	+45.70	+183.27	+35.97	+22.26	+30.48	+149.89
<b>%</b>	+1.5%	+2.4%	+1.7%	+1.7%	+2.5%	+4.6%	+2.6%

**Major Changes in Index Constituent Stocks (Week ended 6<sup>th</sup> May 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @06/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Lenovo Group	0992	HK\$2.6	+HK\$0.175	+7.22%	Lenovo Group said it would repurchase 435.72 million non-voting shares from IBM at HK\$2.725 a share. The share repurchase would reduce the enlarged share capital by 4.7%.
China Mobile	0941	HK\$27.5	+HK\$0.5	+1.85%	Investors were optimistic about the company's prospects for a potential restructuring of China's telecom sector.

**Hang Seng China Enterprises Index (HSCEI)**

Stock	Stock Code	Closing Price @06/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Weiqiao Textile	2698	HK\$10.8	+HK\$0.55	+5.37%	Weiqiao Textile rebounded on reducing worries over possible US and European retaliation after a surge of Chinese textile imports since the end of a global quota regime at the start of this year.
Anhui Conch Cement	0914	HK\$6.9	-HK\$0.2	-2.82%	Anhui Conch Cement warned that its net profit would plunge more than 50% after reporting a 95% decline in first-quarter net profit amid falling cement prices and rising coal cost.

**Hang Seng China-Affiliated Corporation Index (HSCCI)**

Stock	Stock Code	Closing Price @06/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
TCL Multimedia Technology Holdings	1070	HK\$1.49	-HK\$0.13	-8.02%	TCL Multimedia Technology swung to a loss in the first quarter, dragged down by the weight of money-losing assets inherited in its new TV joint venture with France's Thomson.



## Summary of US Economic News

Indicator	Change/Index	Comments
Construction Spending – March	+0.5% m-o-m	US construction spending jumped a surprisingly large 0.5% to a record high in March as home building also hit record levels.
ISM Manufacturing Index – April	53.3	The index receded to 53.3 in April from 55.2 in March, as new orders and hiring slowed.
Factory Orders – March	+0.1% m-o-m	Factory orders showed an unexpected gain of 0.1% due to solid advances in nondurable goods.
FOMC Announcement	+25 bps	The Federal Reserve raised the fed fund rates by 25 bps to 3% and retained its pledge to raise rates at a measured pace.
ISM Non-manufacturing Index - April	61.7	The index slipped to a still-robust 61.7% in April, close to market expectations but down from 63.1% in March.
Nonfarm Productivity – 1Q2005	+2.6% q-o-q	Nonfarm productivity rose at a 2.6% annual pace in 1Q2005 after gaining 2.1% in 4Q2004, but unit labour costs also moved ahead at a 2.2% pace from 1.7% in 4Q2004.
Initial Jobless Claims – 30 <sup>th</sup> April 2005	333,000	Initial jobless claims increased a larger-than-expected 11,000 last week, but stayed in a range consistent with job growth.
Nonfarm Payrolls – April	274,000	The addition of 274,000 jobs in April eclipsed market expectations of 170,000 jobs, which eased fears about an economic slowdown.
Unemployment Rate – April	5.2%	The unemployment rate remained at 5.2%, in line with market expectations.

## Forthcoming Important Announcements / Events

9 <sup>th</sup> May 2005 (Monday)	HK US	: : Foreign Reserves – April Wholesale Trade – March
10 <sup>th</sup> May 2005 (Tuesday)	HK US	: : No Important Announcements / Events <b>Cisco Systems Inc – Q3 results</b>
11 <sup>th</sup> May 2005 (Wednesday)	HK US	: : No Important Announcements / Events International Trade – March <b>Walt Disney Co – Q2 results</b>
12 <sup>th</sup> May 2005 (Thursday)	HK US	: : No Important Announcements / Events Initial Jobless Claims – 7 <sup>th</sup> May 2005 Retail Sales – April <b>Dell Inc – Q1 results</b> <b>Wal-Mart Stores – Q1 results</b>
13 <sup>th</sup> May 2005 (Friday)	HK US	: : No Important Announcements / Events Business Inventories – March Import and Export Prices – April Consumer Sentiment (Preliminary) – May Tiffany & Co – Q1 results