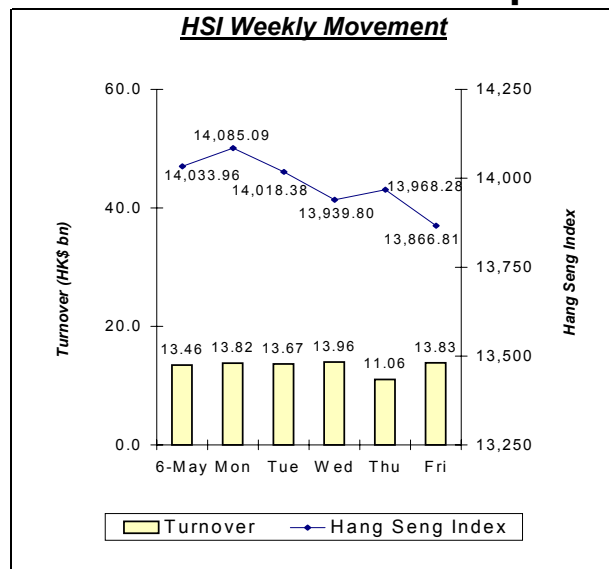


**Market retreated as hopes on RMB revaluation cooled down**


<b>Weekly Market Statistics</b>				
Week ended	13/05/2005	06/05/2005	Change	%
Hang Seng Index	13,866.81	14,033.96	-167.15	-1.2%
HS Red Chip Index	1,559.24	1,584.96	-25.72	-1.6%
HS China Enterprises Index	4,654.54	4,737.84	-83.30	-1.8%
HS Composite Index	1,786.81	1,808.30	-21.49	-1.2%
HS HK Composite Index	1,891.19	1,909.84	-18.65	-1.0%
HS Mainland Composite Index	1,585.59	1,613.16	-27.57	-1.7%
S&P/HKEx GEM Index	896.40	917.75	-21.35	-2.3%
Avg Daily Turnover (HK\$ bn)	13.27	14.79	-1.52	-10.3%
<b>Sectoral Indices</b>				
Finance	26,773.74	27,070.27	-296.53	-1.1%
Utilities	30,616.99	30,578.15	+38.84	+0.1%
Properties	17,123.20	17,400.32	-277.12	-1.6%
Comm & Ind	6,137.38	6,222.73	-85.35	-1.4%

**Review & Outlook of Market Performance**

Hong Kong market retreated this week as the expectation of an imminent Renminbi revaluation cooled down. Market focus shifted to selective new issues and contenders of the HSI quarterly review. HSI lost 167.15 points, or 1.2% w-o-w, to close at 13,866.81. Average daily turnover shrank to HK\$13.27 billion from HK\$14.79 billion of last week.

IPO of fashion retailer Bauhaus International (0483) was under spotlight this week. It recorded a 599-time oversubscription and surged over 10% in its debut on Thursday. It gained 1.6% above its offer price to close the week at HK\$1.27. Shanghai Electric (2727), a recently listed PRC industrial equipment maker, also reached its new high of HK\$1.80 on Thursday despite its relatively expensive valuation. The counter closed up 3.6% w-o-w to HK\$1.75.

After the market closed on Friday, it was announced that New World Development (0017) and Sino Land (0083) will replace Wheelock (0020) and Henderson Investment (0097) as HSI constituent stocks. Since the news has been priced in the respective share prices during the week, the upside/downside of the related counters will be limited when the market opens on next Tuesday.

On the H-shares front, HSCEI shed 83.3 points, or 1.8% w-o-w to close at 4,654.54. Commodities counters were hit particularly hard as the Shanghai copper futures declined sharply over the week under concern of oversupply in 2006. Jiangxi Copper (0358) and Maanshan Iron (0323) fell 8.6% w-o-w and 9.9% w-o-w to close at HK\$3.45 and HK\$2.50 respectively. Ping An Insurance (2318) was one of a few counters that bucked the downtrend this week. It rose 4.1% w-o-w to close at HK\$12.60 as HSBC planned to spend HK\$8.1 billion for a 9.91% stake in the company by paying HK\$13.20 per share for stakes held by Goldman Sachs and Morgan Stanley. HSCCI dropped 1.6% w-o-w at 1,559.24.

Looking ahead, we see the market to remain range bound between 13,900 and 14,200 as it lacks fresh news to push it upwards. Any downside risk to the market in the near term would likely come from the sell off from hedge funds that are rumoured to be suffered enormous trading losses recently.

**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							
13th May	10,140.12	1,976.78	11,049.11	2,171.67	891.36	679.11	5,981.48
6th May	10,345.40	1,967.35	11,192.17	2,161.22	901.22	689.36	5,967.96
Change	-205.28	+9.43	-143.06	+10.45	-9.86	-10.25	+13.52
%	-2.0%	+0.5%	-1.3%	+0.5%	-1.1%	-1.5%	+0.2%

**Major Changes in Index Constituent Stocks (Week ended 13<sup>th</sup> May 2005)****Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @13/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
MTR Corporation	0066	HK\$13.35	+HK\$0.65	+5.1%	Average passenger number of the MTR had increased 57,800 per day in the first week after the Eastern Harbour Tunnel increased its toll by more than 60%.

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

Stock	Stock Code	Closing Price @13/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Ping An Insurance	2318	HK\$12.6	+HK\$0.5	+4.1%	HSBC planned to spend HK\$8.1 billion for a 9.91% stake in the company by paying HK\$13.20 per share for stakes held by Goldman Sachs and Morgan Stanley.
Yizheng Chemical	1033	HK\$1.24	-HK\$0.12	-8.8%	Its net profit fell by 97.5% y-o-y in Q1 of FY2005. Furthermore, it was reported that a staff was involved in misappropriating the company's fund.

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

Stock	Stock Code	Closing Price @13/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
China Resources Land	1109	HK\$1.31	-HK\$0.16	-10.9%	China is taking a wide range of steps to curb surging real-estate prices. Tax and other policies are imposed to discourage speculative dealings. Investors worried property sales and prices would suffer as a result.

**Summary of US Economic News**

Indicator	Change/Index	Comments
March wholesale inventories	+0.4%	The figure was less than the consensus forecast (+1.0%) and that of the previous month (+0.6%).
March trade deficit	US\$54.99 billion	US trade deficit narrowed by US\$ 5.58 billion from a revised US\$60.57 billion in February and was the sharpest decline in three years.
Initial jobless claims – week ended 7 <sup>th</sup> May	+4k	The 4-week moving average was 324,000, an increase of 2,000 from the previous week's revised average of 322,000.
April retail and food sales	+1.4%	The increase was higher than consensus forecast (+0.8%). Gasoline station sales were up 19.8% y-o-y and sales of non-store retailers were up 12.4% y-o-y.
March business inventories	+0.4%	The increase was lower than the consensus forecast (+0.6%) and that of the previous month (+0.6%).

**Forthcoming Important Announcements / Events**

16 <sup>th</sup> May 2005 (Monday)	HK US	: : Public holiday – Buddha's birthday Agilent Technologies Inc. (A) – Q2 results
17 <sup>th</sup> May 2005 (Tuesday)	HK US	: : City Telecom (H.K.) Limited (1137) – Interim results April producer price index April housing starts April industrial production April capacity utilization Applied Materials (AMAT) – Q2 results Hewlett-Packard (HPQ) – Q2 results Home Depot (HD) – Q1 results JCPenney (JCP) – Q1 results Nordstorm (JWN) – Q1 results Saks Incorporated (SKS) – Q1 results
18 <sup>th</sup> May 2005 (Wednesday)	HK US	: : 401 Holdings Limited (0401) – Final results April consumer price index Brocade Communications System (BRCD) – Q2 results
19 <sup>th</sup> May 2005 (Thursday)	HK US	: : April unemployment rate Fountain Set (Holdings) Limited (0420) – Interim results Initial jobless claims – Week ended 14 <sup>th</sup> May Gap Inc. (GPS) – Q1 results
20 <sup>th</sup> May 2005 (Friday)	HK US	: : Automated Systems Holdings Ltd. (0771) – Final results No important announcements / events