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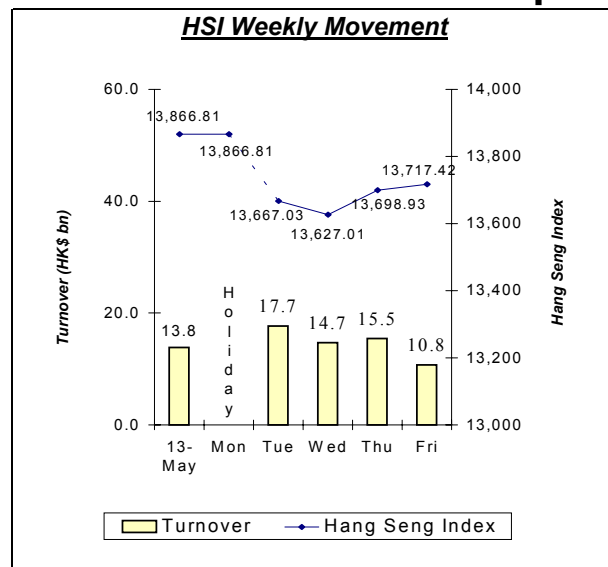
EAST ASIA SECURITIES COMPANY LIMITED

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

Dealing: 2842 3475 Research: 2842 3198 Facsimile: 2845 1606

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Analyst: Kelvin Li

Weekly Report21st May 2005**HSI fell as near-term hopes for RMB revaluation fading out****Weekly Market Statistics**

Week ended	20/05/2005	13/05/2005	Change	%
Hang Seng Index	13,717.42	13,866.81	-149.39	-1.1%
HS Red Chip Index	1,550.54	1,559.24	-8.70	-0.6%
HS China Enterprises Index	4,625.36	4,654.54	-29.18	-0.6%
HS Composite Index	1,767.87	1,786.81	-18.94	-1.1%
HS HK Composite Index	1,866.80	1,891.19	-24.39	-1.3%
HS Mainland Composite Index	1,577.75	1,585.59	-7.84	-0.5%
S&P/HKEx GEM Index	886.72	896.40	-9.68	-1.1%
Avg Daily Turnover (HK\$ bn)	14.65	13.27	+1.38	+10.4%
Sectoral Indices				
Finance	26,555.18	26,773.74	-218.56	-0.8%
Utilities	30,293.20	30,616.99	-323.79	-1.1%
Properties	16,648.81	17,123.20	-474.39	-2.8%
Comm & Ind	6,084.91	6,137.38	-52.47	-0.9%

Review & Outlook of Market Performance

Hang Seng Index fell over the week, after the PRC Leaders voiced their strong stance not to revalue RMB in the near term. Diminishing hope for a short-term RMB revaluation had sparked liquidity outflow and depressed stock prices. Later the week, a strong rebound in overseas markets helped trim some of the losses. HSI dropped 1.08% w-o-w at 13,717.42, with average daily turnover up slightly at HK\$14.65 billion.

The Hong Kong Monetary Authority (HKMA) said on Wednesday to fine-tune its linked exchange rate system by introducing trading band for the local currency against US dollar. With those new refinements, HKMA aims to reduce both the usage of HK\$ as a proxy for speculating RMB revaluation and the interest rate discrepancy between HK and the U.S. The new measures had triggered huge funds outflow, making major banks in Hong Kong raise prime rates by 50 bps the day after HKMA's move. Top-tier banks gained on the news, as they were expected to benefit from higher prime rates. Stripping out ex-dividend impact during the week, both HSBC Holdings and BOC Hong Kong were nearly flat at HK\$124 and HK\$14.4 respectively. Hang Seng Bank was up 0.48% to close HK\$105.5.

Properties were among laggards during the week, as investors worried higher rates would hurt demand for home purchase. Cheung Kong fell 2.44% w-o-w to HK\$70 while Sun Hung Kai Properties dropped 2.33% to HK\$73.5. New World Development and Sino Land slipped 1.21% and 1.32% w-o-w respectively despite a surprise HSI inclusion, while the exiting Wheelock Co. and Henderson Investments were down 3.38% and 6.17% lower respectively. Meanwhile, China-related plays were also lower over the week, after the hope for a near-term RMB revaluation faded. However, the H-share index was supported by a 1.57% gain in heavyweight PetroChina, as import figures showed oil demand remained strong in China. Overall, HSCEI dipped 0.63% w-o-w to 4,625.36.

The short-term outlook for the HSI has turned weaker, as the liquidity-driven stock market lost hold amid fading hope for a near-term RMB revaluation and significant funds outflow. Weekend property transaction may set back after rate hike, sending a bearish tone to the stock market next week. The blue-chip index is seen re-visiting recent bottom near 13,600.

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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							
20th May	10,471.91	2,046.42	11,037.29	2,173.77	883.17	670.65	5,954.69
13th May	10,140.12	1,976.78	11,049.11	2,171.67	891.36	679.11	5,981.48
Change	+331.79	+69.64	-11.82	+2.10	-8.19	-8.46	-26.79
%	+3.3%	+3.5%	-0.1%	+0.1%	-0.9%	-1.2%	-0.4%

Major Changes in Index Constituent Stocks (Week ended 20th May 2005)**Hang Seng Index (HSI)**

Stock	Stock Code	Closing Price @20/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Wheelock	0020	HK\$11.45	-HK\$0.40	-3.38%	HSI Services said late last week to replace Henderson Investment and Wheelock by adding New World Development and Sino Land in the blue-chip index amid the latest reshuffle.
Henderson Investment	0097	HK\$10.65	-HK\$0.70	-6.17%	

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @20/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Shenzhen Expressway	0548	HK\$2.875	+HK\$0.025	+0.88%	The toll road operator said its average daily toll revenues jumped by a sharp 26% y-o-y last month, thanks to a surge in traffic volume of its toll roads.
ZTE	0763	HK\$21.85	+HK\$0.60	+2.82%	ZTE has signed a deal with Ericsson to develop TD-SCDMA platform in China, getting prepared for the launch of 3G licenses expected later this year.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @20/05/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.55	-HK\$0.075	-2.86%	Morgan Stanley said in a research note that overcapacity had dampened the car manufacturing industry in China. It forecast that some carmakers may incur losses next year, while some of the foreign capital may begin to depart from the sector as early as 2007.

**Summary of US Economic News**

Indicator	Change/Index	Comments
Housing starts – April	+11.0%	US housing starts jumped 11.0% to annualized 2.038 million in April, after a 17.6% plunge in March.
Industrial output – April	-0.2%	Industrial production dropped 0.2% last month, against consensus forecast of a 0.2% rise. The decline was mainly due to a fall in utility output. Besides, the output growth in March was also revised down to 0.1% from the previous estimate of 0.3%.
Producer price index – April	+0.6%	PPI rose 0.6% in April after a 0.7% rise in March, as rising energy costs triggered higher prices.
Consumer price index – April	+0.5%	CPI rose 0.5% last month, slightly higher than consensus forecast of 0.4%. Stripping out food and energy prices, the core CPI was flat in April, against consensus forecast of a 0.2% rise.
Initial jobless claims – the week ended 14 th May 2005	321,000	Initial jobless claims fell 20,000 over the week to 321,000, well below market expectation of a milder fall to 330,000.
Index of leading indicators – April	114.5	The index of leading indicators fell 0.2% in April, which was in line with market expectations.

Forthcoming Important Announcements / Events

23 rd May 2005 (Monday)	HK	:	Consumer price index – April 2005
	US	:	Buildmore International (0108) – final results
24 th May 2005 (Tuesday)	US	:	Novell Inc. – Q2 2004/05 results
	HK	:	Star Cruises (0678) – Q1 2005 results
25 th May 2005 (Wednesday)	US	:	Consumer confidence index – May 2005
	HK	:	FOMC minutes – May 2005
26 th May 2005 (Thursday)	US	:	Network Appliance – 2004/05 final results
	HK	:	Tingyi Holdings (0322) – Q1 2005 results
27 th May 2005 (Friday)	US	:	Durable goods orders – April 2005
	HK	:	Existing home sales – April 2005
28 th May 2005 (Saturday)	US	:	New home sales – April 2005
	HK	:	Computer Associates – 2004/05 final results
29 th May 2005 (Sunday)	US	:	Computer Associates – 2004/05 final results
	HK	:	Computer Associates – 2004/05 final results