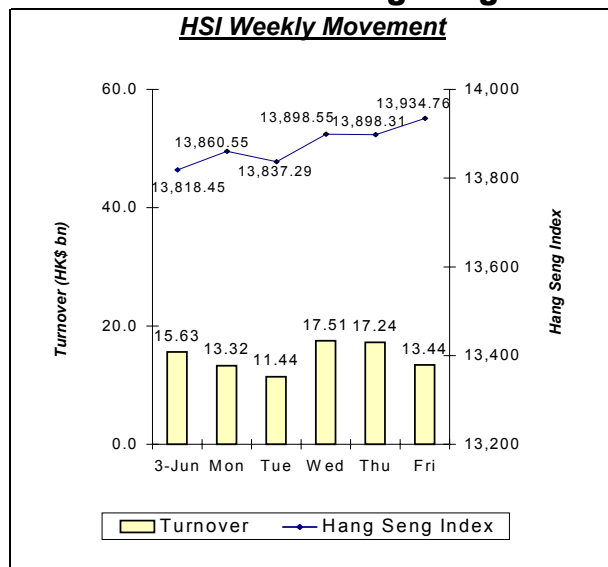


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HONG KONG RESEARCH**Restricted circulation****Weekly Report**10th June 2005**Hang Seng Index approaches 14,000**

Weekly Market Statistics				
Week ended	10/06/2005	03/06/2005	Change	%
Hang Seng Index	13,934.76	13,818.45	+116.31	+0.8%
HS Red Chip Index	1,597.63	1,587.08	+10.55	+0.7%
HS China Enterprises Index	4,732.84	4,550.63	+182.21	+4.0%
HS Composite Index	1,799.58	1,781.26	+18.32	+1.0%
HS HK Composite Index	1,890.79	1,875.23	+15.56	+0.8%
HS Mainland Composite Index	1,625.77	1,601.57	+24.20	+1.5%
S&P/HKEx GEM Index	893.85	895.26	-1.41	-0.2%
Avg Daily Turnover (HK\$ bn)	14.59	15.63	-1.04	-6.7%
Sectoral Indices				
Finance	26,740.59	26,520.93	+219.66	+0.8%
Utilities	30,476.41	30,208.66	+267.75	+0.9%
Properties	16,850.17	16,794.82	+55.35	+0.3%
Comm & Ind	6,251.34	6,190.35	+60.99	+1.0%

Review & Outlook of Market Performance

Investors kept assessing the outlook for future interest rate movements, after major banks in HK raised their mortgage rates by 25 basis points, citing rising fund costs in the territory. Nonetheless, Fed chairman Greenspan said before the US Congress that inflation remains "contained" in the US and the Fed would hike rates at "measured" pace, which somewhat helped ease investors' fear for a jump in rates locally. Over the week, Hang Seng Index gained 116.31 points or 0.8% to 13,934.76, with average daily turnover at HK\$14.6 billion.

Among 33 constituent stocks, port operators China Merchants and COSCO Pacific were two of the top three gainers, largely rebounding from recent weakness. MTRC surged to its four-year highs, following the railway operator's comments on its plan to invest in a subway project in Hangzhou city.

PetroChina shined and hit a fresh all-time high of HK\$5.5, after the oil giant said it will acquire from its parent CNPC's certain overseas assets via a 50-50 JV for US2.5 billion. The purchase should boost PetroChina's oil & gas reserve and production by 4.3% and 5.4%, respectively, and would have lifted the company's 2004 earnings by 1.03%. PetroChina, the top HSCEI-gainer, rallied 7.92% w-o-w to HK\$5.45.

Meanwhile, other H shares also finished higher, thanks to improved sentiments over China-related stocks after a rebound in the PRC stock market. The benchmark Shanghai Composite Index jumped more than 8% last Wednesday, on rumours that the government may support the battered stock market. However, BYD was an exception, tumbling 7.6% w-o-w to HK\$17.1, due to an investment downgrade. Yanzhou Coal also underperformed, as the IPO of its peer China Shenhua Energy only received lukewarm demand from investors. Overall, HSCEI reaped 4.0% to 4,732.84, thanks to the strong rally in PetroChina.

Without fresh catalysts, the Hang Seng Index should see its resistance near 14,000 as index heavyweight HSBC Holdings is still struggling near HK\$124-125 while the short-term upside of bellwether China Mobile is seen saturating after rallying for more than 5% over the past two weeks. In the meantime, China will release key economic indicators next week, which may add some volatility in H shares.

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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							
10th June	10,503.02	2,076.91	11,304.23	2,222.58	890.02	679.98	6,192.35
3rd June	10,460.97	2,071.43	11,300.05	2,192.67	865.88	676.47	6,107.95
Change	+42.05	+5.48	+4.18	+29.91	+24.14	+3.51	+84.40
%	+0.4%	+0.3%	+0.0%	+1.4%	+2.8%	+0.5%	+1.4%

Remark(*): Index closing as of 9th June 2005

Major Changes in Index Constituent Stocks (Week ended 10th June 2005)

Hang Seng Index (HSI)

Stock	Stock Code	Closing Price @10/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
COSCO Pacific	1199	HK\$15.05	+HK\$0.75	+5.24%	The stock rebounded technically, after touching a 25-week low last week. Meanwhile, COSCO said its European unit, Florens, is seeking a US\$180 million bank loan for refinancing.
Lenovo Group	0992	HK\$2.30	-HK\$0.225	-8.91%	The PC maker reported a 12% y-o-y drop in net profit to HK\$166 million for the quarter ended 31/03/2005, below consensus forecast of HK\$194 million.

Hang Seng China Enterprises Index (HSCEI)

Stock	Stock Code	Closing Price @10/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
BYD Company	1211	HK\$15.80	-HK\$1.30	-7.60%	Citigroup downgraded the stock, citing its business relationship with Siemens may turn sour, after the latter's mobile operations in the mainland were taken over by Taiwan's BenQ.

Hang Seng China-Affiliated Corporation Index (HSCCI)

Stock	Stock Code	Closing Price @10/06/05	W-O-W Change		Remarks / Comments
			Absolute	%	
Denway Motors	0203	HK\$2.925	+HK\$0.145	+5.41%	Denway's car making JV with Honda reported a 31.3% y-o-y rise in car sales to 18,320 units in May. Despite being short of the sales figures in March and April, market watchers said the sales were satisfactory as there was a long holiday break in early May.



Summary of US Economic News

Indicator	Change/Index	Comments
Wholesale inventory – April	+0.8%	US wholesale inventory rose 0.8% m-o-m in April against consensus forecast of a 0.4% rise, mainly due to an increase in automobile stocks. Meanwhile, wholesale sales rose a strong 1.5% in April, the strongest rate in more than a year.
The White House 2005 GDP forecast	+3.4%	The White House revised down the US 2005 GDP growth forecast to 3.4%, compared with a forecast of 3.5% that made in December. Meanwhile, the US 2005 inflation forecast was revised up to 2.9% from 2%, mainly due to “volatile energy prices”.
Initial jobless claims – the week ended 4 th June 2005	-21,000	Initial jobless claims fell a larger-than-expected 21,000 over the holiday-shortened week, the biggest decline in seven weeks.

Forthcoming Important Announcements / Events

13 th June 2005 (Monday)	HK	:	Gold Peak (0040) – final results Intcera (8041) – Q1 results Johnson Electric Holdings (0179) – final results Yue Yuen Industrial (0551) – interim results
	US	:	Lehman Brothers Holdings Inc – FY2004/05 Q2 results
14 th June 2005 (Tuesday)	HK	:	B.A.L. Holdings (8079) – interim results China Medical (8120) – Q3 results Timeless (8028) – final results Wheelock (0020) – final results
	US	:	Producer price index – May 2005 Retail sales – May 2005 Best BUY Co Inc – FY2005/06 Q1 results
15 th June 2005 (Wednesday)	HK	:	iMerchants (8009) – final results Norstar (2339) – final results Ultra Group (8203) – final results Vaso Digital (8220) – final results
	US	:	Water Oasis Group (1161) – interim results Consumer price index – May 2005 Industrial production – May 2005 Beige Book – May 2005 Bear Stearns Companies Inc – FY2004/05 Q2 results
16 th June 2005 (Thursday)	HK	:	Galileo (8029) – final results
	US	:	Housing starts – May 2005 Initial jobless claims – week ended 11 th June 2005 Adobe Systems Inc – FY2004/05 Q2 results Goldman Sachs Group Inc – FY2004/05 Q2 results
17 th June 2005 (Friday)	HK	:	AMS Transport (0077) – final results Info Communication (8082) – final results ITE Holdings (8092) – final results Le Saunda Holdings (0738) – final results Prosten Tech (8026) – final results Soluteck (8111) – final results Tern Properties (0277) – final results
	US	:	Current account balance – Q1 2005 Consumer sentiment (preliminary) – June 2005