

**HSBC KNOCKS THE STUFFING OUT OF THE HKSAR MARKETS****Wednesday (May 2)**

Following Buddha's Birthday and, then, Labour Day, last Monday and Tuesday, respectively, investors in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) seemed charged with enthusiasm, last Wednesday, the first day of trading for the month of May.

And up went share prices on The Stock Exchange of Hongkong Ltd.

The Main Board's Hang Seng Index put on about 3.20 percent, rising to 13,814.24 points as the Total Turnover rose to \$HK11.33 billion.

While the Total Turnover was hardly the stuff of which a roaring bull market is made, it boded well for a stock market that has been one of the hardest hit over the previous year in the most populous area of the world.

The ratio of gainers to losers, last Wednesday, was about 2.77:One.

HSBC Holdings plc (Code: 5) was the most active counter as about 10.09 million, HSBC Holdings's shares were traded. The share price of this banking counter was held to within a \$HK2-range of between \$HK100 and \$HK102.

Its share price ended the day at \$HK101, up about 2.02 percent, compared with the previous close on Friday, April 27.

Trading in this bank's scrip represented a dollar value, equal to about 9 percent of the entire volume of activity of the day.

In London, England, the Chairman of HSBC Holdings, Sir John Bond, announced in a letter to shareholders that he would like to beef up the Issued and Fully Paid-Up Share Capital of the bank, the largest in Europe in terms of its market capitalisation, by issuing about \$HK190-billion worth of new bank scrip.

He will be seeking approval from HSBC Holdings's shareholders at the bank's Annual General Meeting, scheduled for May 25.

Last Wednesday, the news insofar as Sir John Bond's intentions to raise more money was not known.

The situation in respect of HSBC Holdings was a special situation, no doubt, but, historically, this counter has been the weathervane of trading in the 416 square miles that constitute the territory, formerly a colony of Great Britain.

China Mobile (Hongkong) Ltd (Code: 941) was the second, most-active counter, last Wednesday, as investors spent about \$HK916.11 million in trading about 22.64 million of this mobile telephone operator, one of the most extensive in the PRC.

While HSBC Holdings's share price managed at a 2.02-percent gain, China Mobile's share price shot up about 7.83 percent, hitting \$HK41.30 by the close of trading, just 10 cents off its high for the day.

Mr Li Ka Shing's 2 major investments on The Stock Exchange of Hongkong Ltd, Hutchison Whampoa Ltd (Code: 13) and Cheung Kong (Holdings) Ltd (Code: 1), came next in line as investors marked them, both, up to higher levels.

Hutchison Whampoa ended the day at \$HK86.50 per share, up 2.67 percent, while Cheung Kong scored a 2.59-percent gain, ending the day at \$HK89.25 per share.

The 4 most-active counters represented about 27.09 percent of the Total Turnover.

In the US, share prices of the blue chips advanced on Tuesday, New York time, as the Dow Jones Industrial Average put on about 163.37 points, about 1.52 percent, to end the session at 10,898.34 points.

The Dow's performance was in direct contrast to last Monday's performance in New York when it had shed 75.08 points.

As for the NASDAQ, its Composite Index gained about 2.46 percent to hit 2,168.25 points in spite of being in negative territory for most of the day.

The National Association of Purchasing Management had issued a report on Tuesday to the effect that the manufacturing sector was still pulling back.

Investors seemed undeterred by the news and charged in, regardless of the consequences.

The US Commerce Department came to the *'party'*, too, announcing that construction spending in the US in March had risen by about 1.30 percent.

This was considered much stronger than had been expected.

Next Wednesday, the US Federal Reserve will meet; there is a strong belief that the Fed will cut interest rates at that meeting.

The HKSAR stock markets take their cues from New York since what affects the largest bourse in the world affects Asia, directly.

The following is TARGET's table of double-digit movers of last Wednesday. It is noted that, of the 31, double-digit movers, just 8 double-digit movers lost ground:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139	10.71		0.031
Asia Resources Transportation Holdings Ltd	899		13.04	0.04
Asia Tele-Net and Technology Corporation Ltd	679	26.42		0.067
Can Do Holdings Ltd	172	16.33		0.228
China Everbright International Ltd	257	12.00		0.56
China Motion Telecom International Ltd	989	10.00		0.88
China Unicom Ltd	762	10.50		12.10
Computer and Technologies Holdings Ltd	46	10.69		3.625
Dan Form Holdings Company Ltd	271	16.00		0.29
G-Prop (Holdings) Ltd	286		12.24	0.043
Gold Wo International Holdings Ltd	90		10.14	0.31
I-China Holdings Ltd	240	12.50		0.054
Innovative International (Holdings) Ltd	729		13.79	0.05
Lam Soon Food Industries Ltd	728	10.34		1.60
LifeTech Group Ltd	1180	14.29		0.24
Magician Industries (Holdings) Ltd	526	13.64		0.10
ONFEM Holdings Ltd	230	16.00		0.58
Orient Power Holdings Ltd	615	13.04		0.39
Oriental Metals (Holdings) Company Ltd	1208	13.04		0.52
OSK Asia Corporation Ltd	555	13.88		0.238
renren Media Ltd	59		17.24	0.024

Sino InfoTech Holdings Ltd	205	16.07		0.195
Skynet (International Group) Holdings Ltd	577		10.71	0.025
SunCorp Technologies Ltd	1063		20.34	0.047
Takson Holdings Ltd	918	17.33		0.44
Tianjin Development Holdings Ltd	882	11.11		2.75
Universal Appliances Ltd	419	10.00		0.11
Vanda Systems and Communications Holdings Ltd	757	13.73		1.16
Victory Group Ltd	1139		11.54	0.023
Wah Tak Fung Holdings Ltd	297	17.20		0.109

On The Growth Enterprise Market (The GEM), excitement ran high as investors were of the opinion that there would be a revival of interest in NASDAQ-listed, hi-techs, and that that feeling would rub off onto the HKSAR, hi-tech sector, too.

The Growth Enterprise Index put on about 3.21 percent, rising to 272.81 points as gainers outperformed losers by the ratio of about 3.15:One.

The Total Turnover on this market was about \$HK198.47 million.

Neolink Cyber Technology (Holdings) Ltd (Code: 8116) was the most active counter of the day. Its total trades represented about 15.19 percent of the Total Turnover of the day.

Neolink Cyber Technology ended the day at \$HK1.31 per share, up 7.38 percent on its previous close.

There were 8 double-digit movers on this speculative marketplace, with only one loser:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Medical Science Ltd	8120	13.33		0.68
Greencool Technology Holdings Ltd	8056	19.15		2.80
hkcyber.com (Holdings) Ltd	8118		24.49	0.037
Kingdee International Software Group Company Ltd	8133	16.67		2.45
Prosten Technology Holdings Ltd	8026	18.33		0.71
Techwayson Holdings Ltd	8089	14.29		0.72
Timeless Software Ltd	8028	16.67		0.91
Yuxing InfoTech Holdings Ltd	8005	11.22		1.09

One piece of news came out of Mr Rupert Murdoch's Phoenix Satellite Television Holdings Ltd (Code: 8002) in respect of its tie-up with Fox News Networks of the US.

Phoenix Satellite announced that an agreement had been reached with Fox whereby Fox would feed its news service to Phoenix Satellite, which, in turn, would relay it on a 24-hour basis to its customers.

The cost of this tie-up was negligible so that the real gainers would, clearly, be Phoenix Satellite.

The share price of Phoenix Satellite ended up 3.55 percent on the day at \$HK1.46 after hitting a high of \$HK1.48.

It was the sixth, most-active counter of the day.

After logging in material profits last Tuesday, Tokyo's stock market took a breather, last Wednesday, as investors booked profits and went home happy.

The Nikkei-225 Average, the 'barometer' of trading on The Tokyo Stock Exchange, ended down 3.82 yen to 14,421.64 yen.

On Tuesday, the Nikkei-225 had bolted ahead a little more than 3.52 percent to hit 14,425.46 yen, due to a combination of factors, the most important of which, no doubt, was the appearance of a stable government in The Land of The Rising Sun as (new) Prime Minister Junichiro Koizumi seemed to have his hands, firmly on the helm of government.

What, also, helped to steady the Japanese stock markets were reports from the US that, perhaps, the world's largest economy would not go into a deep recession, after all.

One of the stars of last Wednesday's Japanese stock markets was Japan Telecom Company Ltd as the country's third largest telephone company saw its share price rise nearly 18 percent to hit 2.64 million yen, adding to Tuesday's gains of about 10 percent.

The reason for the interest in Japan Telecom was confirmation that England's Vodafone Group plc had agreed to purchase 20 percent of the Issued and Fully Paid-Up Share Capital of Japan Telecom from British Telecommunications plc for £3.70 billion.

The purchase raised Vodafone's stake in the Japanese telecommunications company to 45 percent.

Trading in Japan Telecom set a burning pace.

Nippon Telegraph and Telephone (NTT), the dominant telecommunications *'player'* in Japan, added 5.18 percent to its share price, which hit 873,000 yen by the close of trading.

The share price of its mobile unit, NTT DoCoMo Incorporated, put on 2.28 percent, ending the week at 2.69 million yen per share.

Last Wednesday was the last day of trading for the Japanese stock markets, which closed on Thursday and Friday for the Golden Week Holiday.

Traditionally, just before the start of Golden Week, Japanese investors go on a bit of a buying spree.

There was some concern in other parts of Asia, however, especially in the Philippines where President Gloria Macapagal-Arroyo had declared a State of Rebellion, following the jailing of the former President, Mr Joseph Estrada, on corruption and economic plunder charges.

She had ordered the arrests of a number of prominent political figures in the country, figures whom, she said, were behind the insurrection in the country.

In Indonesia, President Abdurrahman Wahid was under pressure after he was censured for the second time by the Indonesian Parliament.

That action leaves the door wide open for impeachment proceedings to be launched at the Muslim cleric, who is accused of corruption, among other things.

This was how other Asia stock markets closed, last Wednesday:

Indonesia	Plus 0.14 percent
Japan	Minus 0.03 percent
Malaysia	Plus 4.61 percent
The Philippines	Plus 4.14 percent
Singapore	Plus 0.87 percent
South Korea	Plus 1.10 percent

Taiwan	Minus 1.44 percent
Thailand	Minus 0.37 percent

## **Thursday**

The share price of HSBC Holdings plc (Code: 5) started to collapse, last Thursday, as news filtered down that the giant financial institution was planning to raise \$HK190 billion in a new scrip issue. (Please see Wednesday's report)

That sent shareholders, scurrying for cover, as HSBC Holdings's share price fell 3.96 percent to \$HK97, just 50 cents off the low of the day.

Trading in the scrip of HSBC Holdings represented about 10.40 percent of the Total Turnover of the day, at about \$HK9.81 billion.

But it appeared that the selling had not stopped at the sound of the closing bell: More selling was widely tipped for Friday's market.

The Hang Seng Index, the guide to trading on the Main Board of The Stock Exchange of Hongkong Ltd, lost 96.10 points, or about 0.70 percent, ending the day at 13,718.14 points.

The ratio of losers to gainers was 1.15:One, with about 48 percent of all counters, either seeing no action in their shares or holdings onto Wednesday's closing prices.

It is said that no news is good news, but not so for the stock markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

These days, no news is bad news for Asian investors, who look for the slightest hint of trouble on the economic horizons – and, then, sell into the news, not the facts.

In New York, there was a mixed bag as the Dow Jones Industrial Average shed about 0.20 percent to 10,876.68 points while the tech-laden NASDAQ Composite Index rose about 2.41 percent to end the session at 2,220.52 points.

As in Asia, there was little to stimulate trading on the world's largest bourse, one way or the other.

In such a situation, stock prices tend to drift lower.

Wall Street was preparing for another sell-off on Thursday, New York time – and investors on the second, most-important stock market in Asia were preparing themselves for it.

Of the 22 double-digit movers on The Stock Exchange of Hongkong Ltd, last Thursday, 7 counters lost ground while 15 counters made material gains.

But none of the gainers and losers was a mainstream entity, as the following TARGET table indicates:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139	12.90		0.035
Alpha General (Holdings) Ltd	73	11.32		0.059
Asia Tele-Net and Technology Corporation Ltd	679		11.94	0.059
Bestway International Holdings Ltd	718	12.50		0.027
Capital Strategic Investment Ltd	497	12.35		0.455
China Investments Holdings Ltd	132	16.42		0.234
Climax International Company Ltd	439		12.00	0.066

e-Kong Group Ltd	524	11.11		0.35
Ecopro Hi-Tech Holdings Ltd	397		12.50	0.014
Fairwood Holdings Ltd	52	13.51		0.126
Gold Wo International Holdings Ltd	90	12.90		0.35
Golik Holdings Ltd	1118		12.97	0.208
Graneagle Holdings Ltd	147	12.50		0.018
Hang Fung Gold Technology Ltd	870	10.91		0.122
Honko International Holdings Ltd	673		30.51	0.041
Pacific Concord Holding Ltd	438	18.28		0.55
Pudong Development Holdings Ltd	258	16.13		0.72
Sino InfoTech Holdings Ltd	205		12.31	0.171
Sino-i.com Ltd	250	11.84		0.085
South East Group Ltd	726		10.00	0.018
Sunway International Holdings Ltd	58	21.21		0.60
Theme International Holdings Ltd	990	12.64		0.098

One counter that did make an appreciable move, last Thursday, was Pacific Century CyberWorks Ltd (Code: 8) as investors chased up the share price of this Li Ka Shing company to \$HK3, even, on a cash turnover of about \$HK1.10-billion.

While the 9.09-percent increase in the share price looked promising, there was more than enough evidence to indicate that the purchases were more short-covering than investors, looking to build up a stake in this company which, since the beginning of this year, has lost about 43 percent of its market capitalisation.

Pacific Century CyberWorks has been singularly unattractive as an investment in telecommunications in the HKSAR, being about one tenth of its value, during the height of its popularity, last year.

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, Mr Rupert Murdoch's Phoenix Satellite Television Holdings Ltd (Code: 8002) was the star attraction as investors traded 44.72 million of this satellite television company's shares.

Phoenix Satellite ended the day at \$HK1.57 per share, a 7.53-percent improvement on Wednesday's closing level.

The cash value of the trades in this one counter, at about \$HK69.22 million, represented about 23.47 percent of the Total Turnover of about \$HK294.97 million.

The Growth Enterprise Index ended the day at 273.41 points, up about 0.22 percent on Wednesday's close.

Gainers were ahead of losers by the ratio of 1.20: One, exactly.

There were 5, double-digit movers:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AcrossAsia Multimedia Ltd	8061		10.28	2.40
Jiangsu Nandasoft Company Ltd	8045	18.18		1.04
Neolink Cyber Technology (Holdings) Ltd	8116	29.77		1.70
T S Telecom Technologies Ltd	8003	15.22		0.53
Yuxing InfoTech Holdings Ltd	8005	11.01		1.21

The Japanese stock markets were closed for the Golden Week Holdings.

In other parts of Asia, the Philippines was still in turmoil and Indonesia was not much better.

This is the way that things looked in other Asia stock markets, last Thursday:

Indonesia	Plus 2.50 percent
Japan	Closed
Malaysia	Minus 0.78 percent
The Philippines	Minus 0.38 percent
Singapore	Minus 0.20 percent
South Korea	Plus 0.12 percent
Taiwan	Plus 1.91 percent
Thailand	Plus 0.52 percent

## **Friday**

The Stock Exchange of Hongkong Ltd was dogged by 2 independent events, last Friday: The failure of Wall Street to hold onto its earlier gains; and, concern over the impending new scrip issue of HSBC Holdings plc (Code: 5, Main Board).

The belief, that the US economy was not still on the ropes and was fighting back from recession, faded, quickly, last Thursday and Friday, New York time, as reports filtered through in respect of the unemployment rate in the world's largest economy.

According to official US Government statistics, in the month of March, 223,000 Americans lost their jobs, excluding farm payrolls.

Many economists had been expecting the opposite statistic, showing that unemployment in the US was falling.

The report put the US unemployment rate at 4.50 percent of the workforce, up from 4.30 percent in March.

And so, armed with these statistics, investors sold stocks on The New York Stock Exchange, last Thursday, pulling down the Dow Jones Industrial Average by 0.74 percent to 10,796.65 points.

On the NASDAQ, its Composite Index shed 3.35 percent to hit 2,146.14 points by the closing bell.

It was the technology stocks that got hit the worst, but selling was, nevertheless, right across the board.

The statistics with regard to the jobless rate took the market by surprise, but it appeared that the immediate sell-off was more of a knee-jerk reaction rather than anything else.

What the US Government statistics did prove, however, was to disprove the statements of many stock-market gurus of Wall Street, gurus who had made claims to the effect that the worst is over in the US economy.

Far from it, the statistics would appear to indicate.

But, a ray of hope was beginning to shine in the US as it became even more apparent that the US Federal Reserve would have to come to the aid of the US economy and to cut interest rates, again, when it meets, next Tuesday – if not sooner.

The stock markets of Asia, those that were open for business, that is, staggered at the US economic reports.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index lost 2.39 percent of its value, falling to 13,390.99 points.

The Total Turnover fell to \$HK8.67 billion, with losers, outpacing gainers by the ratio of about 2.33:One.

Nearly 52 percent of all the counters, listed on The Stock Exchange of Hongkong Ltd, went either untraded or had their share prices just hold onto Thursday's closing levels.

HSBC Holdings dropped to second place in the Ten Most Actives as about 6.29 million of its shares were traded.

Its share price lost another 1.55 percent, falling to \$HK95.50.

China Mobile (Hongkong) Ltd (Code: 941) was the most active counter of the day, but, like HSBC Holdings, it came under intense selling pressure and had to give up about 5.26 percent of its market value, falling back to \$HK39.60.

Between the 2 leaders, investors spent in aggregate \$HK1.39 billion, representing about 16 percent of the Total Turnover of the day.

As expected, the share price of Pacific Century CyberWorks Ltd (Code: 8) lost substantial ground since, when the short-covering came to a halt, so did the share price's run-up.

The share price of this Li Ka Shing company dropped back to \$HK2.825, a one-day fall of about 5.83 percent.

It was the fourth, most-active counter of the day.

Once again, there was no special news of any note, last Friday, and the fact that the market was dropping, quickly, on a relatively low volume of activity, was ominous.

The following is TARGET's double-digit movers of last Friday:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139		14.29	0.03
Alpha General (Holdings) Ltd	73	13.56		0.067
Asia Tele-Net and Technology Corporation Ltd	679	18.64		0.07
Can Do Holdings Ltd	172		11.93	0.214
Fujikon Industrial Holdings Ltd	927	11.54		0.58
Golik Holdings Ltd	1118	12.98		0.235
Graneagle Holdings Ltd	147		16.67	0.015
Guangdong Brewery Holdings Ltd	124	16.48		0.53
Honko International Holdings Ltd	673	65.85		0.068
Innomaxx Biotechnology Group Ld	340		11.86	0.26
ITC Corporation Ltd	372	17.65		0.80
Lung Cheong International Holdings Ltd	348	12.77		1.06
Multifield International Holdings Ltd	898	10.00		0.11
Oriental Explorer Holdings Ltd	430	14.29		0.064
Pacific Andes International Holdings Ltd	1174	15.38		0.30
Paliburg Holdings Ltd	617		10.00	0.108
Pudong Development Holdings Ltd	258	29.17		0.93
Rivera (Holdings) Ltd	281	47.17		0.39
Sino-i.com Ltd	250	22.35		0.104
South China Information and Technology Ltd	175		10.34	0.52
Star East Holdings Ltd	198	42.35		0.242
Sunway International Holdings Ltd	58		10.00	0.54
UDL Holdings Ltd	620	23.08		0.08
Vision Tech International Holdings Ltd	922		11.86	0.26
Yugang International Ltd	613	11.11		0.06



On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Growth Enterprise Index gave up 1.47 percent of its value, falling to 269.39 points.

The Total Turnover was about \$HK245.73 million, with losers far ahead of gainers by the ratio of 2.31:One.

There were 5, double-digit movers, last Friday:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
First Mobile Group Holdings Ltd	8110		19.59	0.78
Fortune Tele.com Holdings Ltd	8040	12.96		0.61
Grandmass Enterprise Solution Ltd	8108		32.05	0.053
hkcyber.com (Holdings) Ltd	8118	14.29		0.04
Panva Gas Holdings Ltd	8132	16.09		1.01

Last week, for the first time in many weeks, there were no new listings on either the Main Board or The GEM as candidates, clearly, had re-appraised the situation in the light of what was taking place in the largest economy of the world.

'Japan Incorporated' was still enjoying its 'Golden Week Holidays' and, in the Philippines, it was very clear that President Gloria Macapagal-Arroyo was trying to mend fences with the former President, Mr Joseph Estrada, by going to visit him -- in gaol -- and shaking hands with her opponent on television.

And this was how things looked in other Asian stock markets, last Friday night:

Indonesia	Plus 0.97 percent
Japan	Closed
Malaysia	Minus 4.89 percent
The Philippines	Plus 0.84 percent
Singapore	Minus 1.12 percent
South Korea	Plus 0.21 percent
Taiwan	Minus 2.99 percent
Thailand	Plus 1.79 percent

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