

STOCK MARKETS RETREAT ON A BROAD FRONT

Asian stock markets were especially quiet, last Monday, with each major bourse, waiting glumly to see what would happen in the US and Europe when they started work for the week.

Generally, investors on the Main Board of The Stock Exchange of Hongkong Ltd waited throughout the day for the Interim Results of HSBC Holdings plc (Code: 5) because it was felt, early Monday, that this banking conglomerate would set the stage for share trading for the remainder of the week.

It was generally expected that this bank's Interim Results would not delight the multitudes due to bad-debt requirements, etc.

Trading was very subdued, with the Total Turnover, being about \$HK5.13 billion.

Losers outran gainers by the ratio of about 4.58:One.

The Hang Seng Index shed 0.98 percent of its value, falling to 12,148.81 points by the close of trading.

China Mobile (Hongkong) Ltd (Code: 941), HSBC Holdings, Hutchison Whampoa Ltd (Code: 13) and Hang Seng Bank Ltd (Code: 11) were the 4, most-active counters of the day, in that order, their combined volumes, accounting for about 24.37 percent of the Total Turnover.

China Mobile had a rather rough day as its share price fell back to \$HK33.40 at one point, but managed to recover by the close of trading, ending the session at \$HK33.60. That price represented a fall of about 2.33 percent, compared with the previous Friday's close.

HSBC Holdings's scrip was traded down to \$HK90.50, a drop of about 0.28 percent on the previous Friday's close. At one point, this share hit a low of \$HK89.75.

Hutchison Whampoa took a bit of a bashing in early trading as its share price was marked down to \$HK73. It recovered to \$HK73.75 by the close, down 0.34 percent.

The fears of many investors in the HKSAR were that both HSBC Holdings and Hang Seng Bank would have to make massive Provisions for non-performing loans and bad and doubtful debts, and that these Provisions would hit the Bottom Line, very hard.

After The Stock Exchange of Hongkong Ltd closed for the day, HSBC Holdings announced an Interim Profit after Tax and Minority Interests of about \$HK28.63 billion, which compared with the like, 6-month period in 2000 of \$HK27.45 billion, representing an increase of about 4.30 percent, year-on-year.

A First Interim Dividend of 19 cents (US) per share was recommended, which was a 4-cent (US) increase over the 15-cent (US) First Interim, paid out in the 2000 period.

Hang Seng Bank, on the other hand, announced that its Interest Income had dropped in the first half of this year, from the 2000 figure of about \$HK15.05 billion to the 2001 figure, to June 30, of about \$HK14.43 billion.

The Profit from Operations, however, was up about \$HK810 million on the 2000 figure of about \$HK6.08 billion, to about \$HK6.16 billion.

The Bottom Line for this bank, the largest local bank in the HKSAR, was about \$HK5.38 billion, which stacked up well against the 2000 Bottom Line of about \$HK5.20 billion.

Hang Seng Bank declared a First Interim Dividend of \$HK2.10 per share, an increase of 10 cents per share over the comparable payout in the previous Interim Period.

While bad-debt provisions for the 2 banks were not as bad as many people had expected, it was noted that there was, still, another half year's results to consider.

In London, England, it was announced, last Monday, that the United Kingdom's manufacturing sector is, officially, in recession.

Output for the quarter to June 30, 2001 of all of the UK's factories fell by about 2 percent, compared with the previous quarter, and represented a 1.30-percent decline, year-on-year.

Mr Ian Fletcher, Chief Economist, British Chamber of Commerce, made the remark that the figures of London's Office of National Statistics was *'technical confirmation of what has been apparent to business for some time.'*

Back in the HKSAR, it was announced that The Bank of China Group was in the process of executing cost-cutting measures in its operating units in the territory.

The Bank of China, in order to compete with HSBC Holdings and Hang Seng Bank, plans to absorb some of its smaller units in order to form a huge banking conglomerate, similar to that which took place in Japan's banking industry, over the past year or so.

Bank of China operates 10 banks in the HKSAR. Its plans will, no doubt, mean that there will be major staff redundancies.

According to surveys, recently conducted, about 2 million people will be sacked in Asia, this year.

Japan is expected to feel the lion's share of the cuts, however.

The economic slowdown in the US and Europe is impacting on Asia, which *'feeds'* these 2 markets – Asia's most important markets -- with everything from condoms to cheese to chips.

The double-digit movers, last Monday, numbered 28, of which number, just 4 double-digit movers managed to gain space:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (SHK)
Bestway International Holdings Ltd	718		26.92	0.019
China Elegance International Fashion Ltd	476		10.00	0.018
Ching Hing (Holdings) Ltd	692	11.11		0.17
Companion Building Material International Holdings Ltd	432		10.00	0.036
Daido Group Ltd	544		19.81	0.17
Digital China Holdings Ltd	861		10.71	2.50
Dongfang Electrical Machinery Company Ltd	1072		12.28	1.00
Extrawell Pharmaceutical Holdings Ltd	858		11.76	0.45
Guangzhou Shipyard International Company Ltd	317		10.48	0.94
i100 Ltd	616	17.65		0.60
Innovative International (Holdings) Ltd	729		14.58	0.041
Jilin Chemical Industrial Company Ltd	368		10.53	0.51
Kin Don Holdings Ltd	208		46.67	0.032
The Kwong Sang Hong International Ltd	189	16.00		0.29
Luoyang Glass Company Ltd	1108		12.61	0.97
Medtech Group Company Ltd	1031	42.31		0.037
Mirabell International Holdings Ltd	1179		11.76	0.75
Prestige Properties Holdings Ltd	75		10.26	0.35

Seapower Resources International Ltd	269		14.00	0.043
Shenyang Public Utility Holdings Company Ltd	747		13.66	1.58
Sino-i.com Ltd	250		10.00	0.072
South East Group Ltd	726		14.29	0.018
SunCorp Technologies Ltd	1063		11.63	0.38
Telecom Plus Holdings Ltd	1013		11.11	0.40
Tomorrow International Holdings Ltd	760		10.06	0.143
vLink Global Ltd	563		16.00	0.021
Wah Tak Fung Holdings Ltd	297		12.16	0.325
Yue Fung International Group Holdings Ltd	965		10.26	0.035

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, The Growth Enterprise Index fell to a new low of 233.22 points, a fall of about 1.76 percent, compared with the previous Friday's close.

The ratio of losers to gainers was exactly 4:One.

The Total Turnover was about \$HK77.46 million.

About the only thing that one could say in respect of this market was that it was sinking ... and sinking quickly.

Two listed companies made quarterly reports, both of which depicted the times.

iSteelAsia.com Ltd (Code: 8080) announced that it had suffered a loss of about \$HK6.54 million for the 3-month period to June 30, 2001. This compared with a loss for the comparable 2000 period of \$HK33.35 million.

Fortune Telecom Holdings Ltd (Code: 8040) announced that it had made a Net Profit, during the same period, that Profit, being about \$HK15.11 million.

The results for this company to June 30, 2001 compared poorly with a Profit of about \$HK42.62 million for the like 2000 quarter.

Mr Rupert Murdoch's News Corporation of Australia announced that its STAR Movies Channel had reached an agreement with Canal Plus Group of France in respect of a pay-television, tie-up between the giants.

Mr Murdoch controls STAR TV of the HKSAR, which, in turn, owns about 35 percent of the GEM company, Phoenix Satellite Television Holdings Ltd (Code: 8002).

Phoenix Satellite Television broadcasts to the PRC market and is the largest in its field.

The GEM's Ten Most Actives accounted for about 66 percent of the Total Turnover of the day.

The double-digit movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Medical Science Ltd	8120		12.28	0.50
Digital Hongkong.com Ltd	8007	10.00		0.44
Goldigit Atom-Tech Holdings Ltd	8059		12.63	0.415
Jilin Province Huinan Chonglong Bio-pharmacy Company Ltd	8049		11.76	0.75
Prosten Technology Holdings Ltd	8026		18.18	0.45
Rojam Entertainment Holdings Ltd	8075		12.07	0.255
T S Telecom Technologies Ltd	8003		13.33	0.39
Techwayson Holdings Ltd	8098		13.73	0.88
Thiz Technology Group Ltd	8119	12.36		2.50

In Japan, The Tokyo Stock Exchange was especially quiet.

The blue-chip index, The Nikkei-225 Stock Average, hardly moved during the day, finishing the session at 12,243.90 yen, an improvement of 0.02 percent on the previous Friday's close.

The heaviest traded scrip was that of Tokyu Land Corporation, whose share price rose about 5.50 percent to 232 yen.

The preliminary Budget for the next Fiscal Year was scheduled to be published the following Friday so that many a Japanese investor were waiting for this report.

If the Budget is seen as being pro-business, the logic was that property prices would move to higher levels.

In the electronics section of the market, there were some dramatic falls as Mitsubishi Electric Corporation saw its share price shaved by nearly 7 percent, ending the day at 525 yen.

TDK followed the lead of Mitsubishi Electric, losing about 5.10 percent of its market capitalisation, ending the day at 6,140 yen per share.

Japan noted that Wall Street, the previous Friday, had been weak, following disappointing financial and economic statistics, released by industry and the US Government.

The New York Stock Exchange's Dow Jones Industrial Average had lost about 0.36 percent of its value, the previous Friday, falling to 10,512.78 points.

On the NASDAQ, its Composite Index slid exactly one percent to close off the week at 2,066.33 points.

The markets in the US were trying to digest a US Labour Department report, which indicated that the unemployment rate in the US had held steady in July at about 4.50 percent.

Nonfarm payrolls contracted by 42,000 in July, after falling 93,000 jobs in June.

Wall Street was expected to drop when it opened on Monday, August 6.

This was the way that things looked in other parts of Asia, last Monday night:

Indonesia	Minus 1.00 percent
Japan	Plus 0.02 percent
Malaysia	Minus 0.79 percent
The Philippines	Plus 0.37 percent
Singapore	Plus 0.54 percent
South Korea	Plus 0.12 percent
Taiwan	Minus 1.32 percent
Thailand	Minus 0.60 percent

Tuesday

Wall Street did its '*thing*' last Monday, New York time, as major indices on the NASDAQ and on The New York Stock Exchange went into retreat.

The 2 stock markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) took their cues from Wall Street, with both markets, falling in rapid succession.

On The New York Stock Exchange, the blue-chip, Dow Jones Industrial Average gave up 111.68 points, about 1.06 percent, dropping back to 10,401.10 points.

On the NASDAQ, its Composite Index shed 1.55 percent, falling to 2,034.36 points.

Wall Street was hit with further bad news as reports filtered through that the number of people in the US, thrown out of work in the month of July, rose to 205,975, at least.

That figure was the highest since 1993 as well as being 3 times the number of people, having been issued pink slips in July 2000.

From Europe, BASF, the European chemicals and petrochemicals group, announced that it would be sacking 1,200 more of its workers; and, it took the opportunity to warn shareholders that profits of the Group would fall in the near future.

BASF has, now, unloaded about 4,000 of its staff since the beginning of the year.

As it was, second quarter results of BASF showed a decline of about 14.90 percent, compared with the like 2000 quarter.

The Group said that it would shut down units.

In the HKSAR, the news of Wall Street and of Europe hurt investor confidence.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index gave up another 1.17 percent of its value, falling to 12,007.19.

During the morning session, the Hang Seng Index had hit 11,991, cutting through the magical 12,000 level as though it never existed.

The Total Turnover of the day was \$HK7.44 billion, of which figure, trading in the shares of HSBC Holdings plc (Code: 5) accounted for nearly 16 percent. HSBC Holdings was the top dog on the Ten Most Active list.

Following on from its Interim Results (Please see Monday's report), investors on Asia's second largest bourse took the opportunity to pick up shares in HSBC Holdings, the largest bank in the European Union (EU) in terms of assets under its control.

HSBC Holdings's share price fluctuated between a low of \$HK91 and a high of \$HK93.25, ending the day at \$HK91 for a 0.55-percent gain over Monday's close.

However, the PRC's 2 major, mobile telecommunications companies, China Mobile (Hongkong) Ltd (Code: 941) and China Unicom Ltd (Code: 762), did not fare well at all, with China Mobile, losing nearly 3 percent of its value, falling to \$HK32.60 per share, while China Unicom gave up about 2.80 percent of its market capitalisation, dropping back to \$HK12.35 per share.

These 2 PRC companies were the second and fifth, most active counters of the day, and their aggregate turnovers accounted for about 12.50 percent of the Total Turnover of the day.

One of the main reasons for these 2 heavyweights to lose ground – about 8 percent-plus in about 7 trading days – is the very real fear that PRC Government regulators will enforce a new billing system, the effect of which will cut into the telecommunications companies' Bottom Line.

The Li Ka Shing public '*vehicles*' were forced to retreat, last Tuesday, with Cheung Kong (Holdings) Ltd (Code: 1) and Hutchison Whampoa Ltd (Code: 13), the third and fourth most active counters of the day, both losing substantial amounts of their respective market capitalisations.

Cheung Kong closed the day at \$HK75.50 per share, down 3.21 percent, while Hutchison Whampoa had to surrender 1.02 percent of its value, falling to \$HK73 per share by the close of trading.

Pacific Century CyberWorks Ltd (Code: 8) hit a new low of \$HK1.92 per share, a one-day retreat of about 1.54 percent.

That investors had written off this company, almost completely, would be to state the obvious.

Hutchison Whampoa's Australian subsidiary, Hutchison Telecommunications Australia, reported a first half loss of about \$HK366 million.

Management warned of further losses in the pipeline, down the year.

The ratio of losing counters to gaining ones on the Main Board was about 1.65:One, with about 60 percent of all counters on The Stock Exchange of Hongkong Ltd, either seeing no trades, at all, or just holding onto previous closing levels.

The double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Bestway International Holdings Ltd	718	15.79		0.022
C.P. Pokphand Company Ltd	43	18.00		0.118
Century City International Holdings Ltd	355	13.33		0.085
Century Legend (Holdings) Ltd	79		12.50	0.035
e-Kong Group Ltd	524		11.43	0.248
First Tractor Company Ltd	38	10.75		1.03
Harbin Power Equipment Company Ltd	1133	11.63		0.96
I-Wood International Holdings Ltd	162	13.33		0.51
Kin Don Holdings Ltd	208	15.63		0.037
Magnum International Holdings Ltd	305		14.89	0.12
Mansion Holdings Ltd	547		13.95	0.037
Medtech Group Company Ltd	1031		32.43	0.025
Regal Hotels International Holdings Ltd	78	18.18		0.325
Seapower Resources International Ltd	269		13.95	0.037
Sen Hong Resources Holdings Ltd	76		18.87	0.086
Tomorrow International Holdings Ltd	760		11.19	0.127
Wing Shan International Ltd	570		10.53	0.34
Wo Kee Hong (Holdings) Ltd	720		10.26	0.07

On The GEM – The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd – trading followed a similar pattern to that of Monday.

The Growth Enterprise Index hit a new record low of 230.75 points, a one-day loss of about 2.47 percent.

But The Growth Enterprise Index had hit 227.93 points, during the morning session.

The Total Turnover was still very low at about \$HK90.75 million as the ratio of losers to gainers hit 2.06:One.

Whenever a market drops, appreciably, on a low volume of activity, there is reason for concern.

The double-digit movers on this market numbered just 5, with 4 double-digit movers, falling to selling pressure:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
36.com Holdings Ltd	8036		12.20	0.036

China Medical Science Ltd	8120	10.00		0.55
CyberM International (Holdings) Ltd	8017		11.76	0.30
FlexSystem Holdings Ltd	8050		10.71	0.50
Proactive Technology Holdings Ltd	8089		11.11	0.32

In Japan, Asia's largest bourse, The Tokyo Stock Exchange, saw its benchmark rise about 0.60 percent as the Nikkei-225 Stock Average hit 12,319.46 yen by the close of trading.

There were some impressive gains in spite of this market not being able to rise very much.

TDK Corporation, the world's largest manufacturer of magnetic heads for hard disk drivers, had a good day, for a change, as its share price rose about 4.23 percent, hitting 6,400 yen, exactly, by the close.

It had lost 5.10 percent of its market capitalisation on Monday's market.

However, its gains were suspect, considering that the world market for personal computers is on the wane.

After the market closed, TDK announced that its Net Profits for the April-June quarter fell about 90.60 percent, compared with the like 2000 period. It earned 1.21 billion yen.

Japanese investors appeared to be waiting to see what Prime Minister Junichiro Koizumi would unleash on Friday when he would unwrap his first Budget for Fiscal 2002.

Also, on Friday, investors were to learn the details of some 77 Japanese, State-owned companies that are to be privatised.

While there were pockets of interest in the premier Japanese stock market, last Tuesday, by and large, the market was exceedingly quiet.

The Ministry of Public Management, Home Affairs, Posts and Telecommunications announced that the average household expenditure in Japan had dropped an inflation-adjusted 3.80 percent in June, compared with June 2000, to 284,471 yen.

It marked the third consecutive month of decline, the Ministry commented.

This statistic is a key to the Japanese economy since it represents about 60 percent of the country's Gross Domestic Product (GDP).

From Matsushita Electric Industrial Company came news that more than 3,000 of its employees had opted to accept the company's early retirement scheme.

Matsushita Electric, in an effort to cut costs, following a first quarter loss of about 19.37 billion yen, offered an early retirement plan to certain of its employees in order to entice them to leave, as an alternative to being fired.

In other parts of Asia, this was the way that things looked on their stock markets, last Tuesday night:

Indonesia	Plus 0.49 percent
Japan	Plus 0.62 percent
Malaysia	Plus 0.56 percent
The Philippines	Minus 0.08 percent
Singapore	Minus 0.07 percent
South Korea	Minus 0.33 percent

Taiwan	Minus 1.49 percent
Thailand	Plus 0.82 percent

Wednesday

The prices of shares continued their retreat on the 2 stock markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), last Wednesday.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gave up another 0.41 percent of its value, falling to 11,958.01 points.

In the morning session, to 12:30 pm, the Hang Seng Index had risen 2.29 points to 12,009.48 points, but persistent selling pressure in the 90-minute afternoon session took its toll.

The Hang Seng Index hit its lowest level in 24 months, last Wednesday.

The Total Turnover continued to be very low at about \$HK6.28 billion as losing counters outpaced gaining ones by the ratio of about 1.20:One.

About 66 percent of all the counters, listed on this bourse, either did not trade or just stayed pat.

HSBC Holdings plc (Code: 5) continued to be the most active counter of the day, following on from its first half profits announcement, which tended to confound the pundits.

After about 7.49 million, HSBC Holdings's shares were traded, its share price had risen to \$HK92.25, a gain of 1.37 percent, compared with Tuesday's close.

Trading in this one counter represented nearly 11 percent of the entire volume of activity for the day.

By and large, share prices were fractionally lower, with notable exceptions.

The HKSAR stock markets, last Wednesday, were still looking to New York for guidance because, on The New York Stock Exchange, there was no clear and definitive direction.

On Tuesday, in New York, the Dow Jones Industrial Average, the blue-chip gauge of The New York Stock Exchange, rose 57.08 points, about 0.55 percent, to 10,458.39 points.

On the NASDAQ, its Composite Index shed 6.48 points, about 0.32 percent, to end the session at 2,027.78 points.

The largest stock markets in the world, however, looked very fragile.

Investors in the US were hit with the news, last Tuesday, that bellwether company, Cisco Systems Incorporated, a maker of equipment to power the Internet, had reported a fourth-quarter Net Profit of just \$US7 million, a reduction of about 99 percent, year-on-year.

The global economic slowdown had taken its toll of the company, which warned that the worst was yet to come.

With such a prognostication from a company, whose management is considered top drawer, it was difficult for Asia to close its eyes to the situation.

Interestingly enough, however, in spite of the announcement from Cisco Systems, the US Labour Department announced that business productivity had risen about 2.50 percent in the second quarter.

It was the largest increase in quarterly productivity since the second quarter of 2000.

On a year-to-year basis, US productivity rose by 1.60 percent, which compares unfavourably with a 2.50-percent gain in the first quarter of 2000.

An announcement from Cathay Pacific Airways Ltd (Code: 293, Main Board, The Stock Exchange of Hongkong Ltd) took some investors in the HKSAR by surprise since the dominant airline player in Asia said that its Interim Profits had dropped by about 39 percent, year-on-year.

The share price of Cathay Pacific dropped nearly 5 percent to \$HK9.60.

It was the lowest price for the airline's shares since April 1999.

Cathay Pacific announced that its Interim Profits were down to \$HK1.32 billion, a figure which included a one-off gain of about \$HK452 million from the sale of its equity in a subsidiary.

And things for the remainder of the year looked sick, too, management said.

Meanwhile, Cathay Pacific's management's bitter fight with its pilots continued, slowly draining income.

In just 6 weeks of fighting, it cost the airline not less than \$HK350 million, and that figure does not include passengers, who opted for other airlines in order to avoid, being held to ransom in the mayhem.

In the telecommunications sector of the market, China Mobile (Hongkong) Ltd (Code: 941) and China Unicom Ltd (Code: 762) continued to come under selling pressure. (Please see Tuesday's report)

While there appeared to be some support for these 2 powerhouses of the PRC, it was very limited support.

The Li Ka Shing Camp was hit especially hard, last Wednesday, as investors pondered just how much money Hutchison Whampoa Ltd (Code: 13) and Cheung Kong (Holdings) Ltd (Code: 1), Mr Li Ka Shing's 2 major investment companies, would have to write down, or make Provisions for, in respect of investments in foreign companies, not under Mr Li Ka Shing's immediate control.

Hutchison Whampoa lost 2.05 percent of its market capitalisation, ending the day at \$HK71.50 per share.

Cheung Kong followed Hutchison Whampoa down the drain, losing 2.65 percent of its value, closing off the day at \$HK73.50 a share.

That these 2 companies will have to bite the proverbial bullet and take hits to their Bottom Lines, that is a given: But how much?

The double-digit movers of the day numbered 18, of which number, 9 double-digit movers recorded material losses:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Bright International Group Ltd	1163		10.00	0.54
CCT Multimedia Holdings Ltd	1169		12.94	0.37
Century Legend (Holdings) Ltd	79	14.29		0.04
Dong Jong Tech.com Holdings Ltd	649	16.10		0.238
eBiz.hk.com Ltd	384		19.12	0.55
Evergo China Holdings Ltd	631	37.93		0.16
Golden Dragon Group (Holdings) Ltd	329		15.91	0.74
Medtech Group Company Ltd	1031	28.00		0.032
MUI Hongkong Ltd	542	11.25		0.089
Regal Hotels International Holdings Ltd	78		10.77	0.29
South China Brokerage Ltd	619	12.80		0.141
Star Bio-Tech (Holdings) Ltd	1051	10.00		0.011

Tongda Group Holdings Ltd	698		18.27	2.125
Trans-Ocean Investment and Technology Ltd	1207		10.00	0.63
UDL Holdings Ltd	620		17.44	0.071
United Pacific Industries Ltd	176	13.9		0.66
Veeko International Holdings Ltd	1173		12.14	0.123
Wing Lee Holdings Ltd	876	15.08		0.229

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover dropped to about \$HK57.35 million as The Growth Enterprise Index shed 0.79 percent of its value, falling to 228.92 points.

The ratio of declining issues to advancing ones was about 2.67:One.

Two GEM companies made semi-annual announcements: Far Eastern Polychem Industries Ltd (Code: 8012) and tom.com Ltd (Code: 8001).

Far Eastern Polychem announced that its profits had advanced about 40.29 percent in the quarter to June 30, compared with the comparable period in 2000, to \$HK126.41 million.

tom.com, a Li Ka Shing company, announced that it continued to lose money.

For the half of its Financial Year, to June 30, 2001, this company has dropped about \$HK148.29 million, it was announced. The result compared with the like period in 2000 when the company announced losses of about \$HK193.89 million.

Pity the shareholders of Mr Li Ka Shing's tom.com!

The double-digit movers on this market were just 2, both of which lost ground:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Riverhill Holdings Ltd	8127		24.24	0.50
Rojam Entertainment Holdings Ltd	8075		15.60	0.211

In Japan, The Tokyo Stock Exchange closed lower in the wake of the Cisco Systems's announcement.

The Nikkei-225 Stock Average shed 155.79 yen, about 1.26 percent, dropping back to 12,163.67 yen.

Magnetic-head manufacturer, TDK Corporation, continued to hold investors' attention as it lost another 3.75 percent of its market capitalisation, falling to 6,160 yen per share.

Japan was having a knee-jerk reaction to that which was taking place in the US and Europe as more and more depressing news hit the economies of the largest markets of the world.

A seemingly endless supply of depressing economic news continued to rock Asia's largest stock market and the world's second largest economy.

There was not one section of The Tokyo Stock Exchange that did not get hurt, last Wednesday.

Major markets, throughout the most populous area of the world, were weak, although there were a couple of bourses that experienced technical corrections:

Indonesia	Plus 2.22 percent
Japan	Minus 1.26 percent

Malaysia	Minus 0.13 percent
The Philippines	Minus 0.08 percent
Singapore	Minus 1.77 percent
South Korea	Minus 0.27 percent
Taiwan	Plus 2.50 percent
Thailand	Plus 2.04 percent

Thursday

Wednesday's heavy losses on Wall Street rocked the world's most important stock markets, last Thursday, resulting in indices, being shot down in short order.

The 2 stock markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) and the stock markets of Japan got especially hurt.

On Wednesday, the Dow Jones Industrial Average, the blue-chip index of The New York Stock Exchange, lost 165.24 points, about 1.58 percent, dropping back to 10,293.50 points.

The NASDAQ Composite Index gave up much more ground than did The Dow, however, as it shed about 3.03 percent of its value, falling to 1,966.36 points.

Cisco Systems (Please see earlier reports) continued to be bashed as its share price lost another 6.60 percent of its market capitalisation, falling to \$US17.98 per share.

Wall Street reacted violently to a report by the US Federal Reserve Board, a report, which stated that the US economy is still in deep trouble.

The Fed stated that, based on the April-June quarter's results, growth in the USA's economy had fallen to 0.70 percent, annually adjusted.

It was the poorest quarterly performance in the previous 8 years, The Fed commented.

That being the case, it would appear that the August 21 meeting of The Fed will see short-term interest rates cut, again.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index fell 2.02 percent, dropping back to 11,716.77 points.

It was the market's lowest level in 28 months ... and investors are still counting since it represented the sixth consecutive days of falls on what is, now, Asia's worst performing bourse.

While it was true that the most important bourse in the HKSAR was responding to The Fed and the losses on The New York Stock Exchange, there was another factor, also, that had to be factored into the equation.

Hutchison Whampoa Ltd (Code: 13) was seen as a prospective big loser in respect of its holdings in Deutsche Telekom, in which the Li Ka Shing company has a 4.90-percent stake, that holding, represented by about 207 million shares in the Issued and Fully Paid-Up Share Capital of the giant German company.

On Tuesday, on The Frankfurt Stock Exchange, Deutsche Telekom Placed 44 million of its shares with an investor(s), undisclosed identity, and this, of course, made many people wonder whether or not one of more of Mr Li Ka Shing's entities were involved in the Placement.

The Placement had a market value of about \$HK7 billion – which is about the right price for many of Mr Li Ka Shing's transactions since he likes to play with gold chips.

The share price of Deutsche Telekom was marked down about 6 percent on major international stock markets, last Wednesday, a price that represented a 30-month low.

Deutsche Telekom's Share Placement touched off a rash of sellers in other, publicly listed telecommunications companies, as Vodafone Group – Mr Li Ka Shing's group has a 2.90-percent stake in this company – lost about 4.80 percent of its value, just to mention one such company that got hit.

There is a lock-up period for Hutchison Whampoa with regard to its share interest in Deutsche Telekom, that lock-up period will expire, in part, on September 1.

No word from Hutchison Whampoa or Cheung Kong (Holdings) Ltd (Code: 1), last Thursday in the HKSAR in respect of an official announcement with regard to the suggestions.

But investors thought, nevertheless, that they saw the writing on the wall as they sold shares in which Mr Li Ka Shing had large interests on the grounds that the great man's companies would not delight shareholders with any good tidings.

Hutchison Whampoa was the most-active counter of the day, followed by Cheung Kong.

The aggregate values of these 2 companies' trades, at about \$HK1.83 billion, represented a little more than 24 percent of the Total Turnover of about \$HK7.49 billion.

The share price of Hutchison Whampoa hit a low of \$HK67.25 before support for the share price brought it back to \$HK67.50. But it, still, meant that the share price of this company had fallen 5.59 percent in one day.

In respect of Cheung Kong, its share price hit a low of \$HK69, but managed to recover to end the day at \$HK70.50, a drop of 4.08 percent on Wednesday's closing level.

As for Mr Li Ka Shing's other major holding in the HKSAR, Pacific Century CyberWorks Ltd (Code: 8), its share price hit an all-time low of \$HK1.87, down 2.60 percent on the day.

The stage had been set in the HKSAR by these 2, unrelated events: The US Fed's report on the US economy; and, the speculation, regarding the Li Ka Shing Faction.

Other than Mr Li Ka Shing and his companies, the Swire Group of Companies took a pounding as the lead company of this Group, Swire Pacific Ltd (Code: 19), shed 4.31 percent of its market capitalisation, falling to \$HK37.79 per share.

Swires were hurt, following a lesser amount of money, having been earned by Cathay Pacific Airways Ltd (Code: 293) in the first half of the year. (Please see Tuesday and Wednesday's reports)

Swires reported that its first half profits were down 7.10 percent, compared with the like 2000 period. It reported a Net Profit of \$HK2.41 billion.

The ratio of losing counters to gaining ones on The Stock Exchange of Hongkong Ltd was about 2.62:One.

The list of losers of less than 10 percent was long, last Thursday.

This is TARGET's list of double-digit movers for the day, a day that marked another 2-year low for the Hang Seng Index:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)

Beiren Printing Machinery Holdings Ltd	187	15.79		1.98
China Strategic Holdings Ltd	235		10.00	0.072
Guangdong Brewery Holdings Ltd	124	10.96		0.405
I-China Holdings Ltd	240		22.50	0.031
Interchina Holdings Company Ltd	202	11.11		1.00
iQuorum Cybernet Ltd	472		29.63	0.019
Man Sang International Ltd	938	12.42		0.172
Medtech Group Company Ltd	1031		15.63	0.027
netalone.com Ltd	336		12.59	0.125
Pacific Challenge Holdings Ltd	166		11.63	0.38
Perennial International Ltd	725	11.43		0.39
Pioneer Global Group Ltd	224		10.53	0.34
Rockapetta Holdings Ltd	1003	13.74		0.24
Shun Cheong Holdings Ltd	650		21.05	0.30
South East Group Ltd	726	12.50		0.018
Star East Holdings Ltd	198		11.76	0.15
Tomorrow International Holdings Ltd	760		16.38	0.097

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, share prices gave up ground, yet again.

The Growth Enterprise Index hit another 2-year low of 224.63 points, down about 1.87 percent on Wednesday's close.

The Total Turnover was about \$HK68.14 million with the 3, most active counters, being responsible for about 49 percent of the entire volume of activity for the day.

The 3 top '*dogs*' were Greencool Technology Holdings Ltd (Code: 8056), Beijing Beida Jade Bird Universal Sci-Tech Company Ltd (Code: 8095) and tom.com Ltd (Code: 8001).

The ratio of losers to gainers was, exactly, 3:One, with about 52 percent of all the counters, either seeing no action, at all, or just staying with the previous day's closing levels.

There were 4, double-digit movers on this market, all of which were losers:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
36.com Holdings Ltd	8036		11.11	0.032
Fortune Telecom Holdings Ltd	8040		19.00	0.405
Intcera High Tech Group Ltd	8041		11.11	0.48
TeleEye Holdings Ltd	8127		24.14	0.33

In Japan, there was even more bad news with which the ravaged Japanese investor had to contend.

The Government reported that core Japanese machinery orders fell by a seasonally adjusted 6.60 percent in the month of June, compared with the May statistics.

That was just more confirmation as to the sickness of the economy of The Land of The Rising Sun.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average fell 3.36 percent to end the day at 11,754.56 yen.

The US Fed's statement about the US economy plus all the other '*rubbish*' that has been plaguing Japan for more than 2 years, plus the expected Budget announcement, due out on Friday, all conspired to hurt the market.

As it was, the Budget announcement came out long after investors went home for the day. (See below)

But that was not all that shook investors' confidence because Japanese game software company, Konami Company Ltd, slashed its earnings target for the Current Financial Year, ending March 31, 2002, by 27 percent.

The company said that a slowdown in sales of its electronic card games was one of the prime reasons for the new lowering of earnings' projections.

The share price of Konami ended the day, unchanged at 5,250 yen, but that price represents a 40-percent drop since the beginning of the year.

Chipmakers, telecommunications companies, hi-tech companies all took it on the chin, last Thursday, as the premier Japanese stock market went into, what could, rightfully, be called, a tailspin.

Toshiba Corporation, a top manufacturer of chips in Japan, lost 3.45 percent of its value, falling to 616 yen per share, and NEC Corporation gave up about 4.21 percent of its market capitalisation, dropping back to 1,685 yen per share.

Some of the major losers in this section of the market included:

Advantest	Down 5.63 percent to 8,890 yen per share
Kyocera Corp	Down 6.21 percent to 9,210 yen per share
Matsushita Communications	Down 7.08 percent to 4,070 yen per share
Pioneer	Down 5.47 percent to 3,110 yen per share
Shinko Electrical Industries	Down 6.94 percent to 2,680 yen per share
Sony Corporation	Down 4.37 percent to 6,130 yen per share
Tokyo Electron	Down 4.44 percent to 7,100 yen per share

In the telecommunications section of the market, NTT DoCoMo, the mobile unit of Nippon Telegraph and Telephone (NTT) and the leader in its field, lost 7.03 percent of its value as investors marked down the shares of this company to 1.72 million yen.

The other 2 major players in telecommunications, also, came unstuck:

Japan Telecom	Down 9.36 percent to 455,000 yen per share
KDDI	Down 8.15 percent to 417,000 yen per share

From one of the largest banks in Japan came news that it intends to sell its entire stake in Goldman Sachs.

Sumitomo Mitsui Banking Corporation filed its intent to sell about \$US500-million worth of Goldman Sachs's shares in order to make use of the funds so as to allow it to write off some of its many bad debts.

Sumitomo Mitsui Banking Corporation is the second largest, foreign shareholder in the New York-based investment bank. It holds about 6.10 million shares in the Goldman Sachs, representing, about 3.10 percent of the bank.

Long after the market closed, Prime Minister Junichiro Koizumi unveiled a radical budget, the first definitive budgetary determination of the relatively new Prime Minister, who took office in April, this year.

The Draft Budget for the Fiscal Year to March 2003 comprised, inter alia, massive spending cuts, aggregating about \$US24.30 billion. The announcement was made long into the night of last Thursday.

In other parts of Asia, major markets were in high reverse gear as one after another bourse lost substantial ground.

This was the situation in the most densely populated part of the world, last Thursday night:

Indonesia	Minus 2.67 percent
Japan	Minus 3.36 percent
Malaysia	Minus 0.72 percent
The Philippines	Minus 2.29 percent
Singapore	Closed
South Korea	Minus 2.80 percent
Taiwan	Minus 1.45 percent
Thailand	Minus 1.96 percent

Friday

Stock markets in Asia appeared to be taking a breather, last Friday, following on from the big sell-off on Thursday.

Wall Street, last Thursday, was relatively quiet; this gave a little respite to Asia.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index regained 0.42 percent of Thursday's losses, ending the week at 11,765.81 points.

But the Total Turnover fell back to a low \$HK5.03 billion, a volume of activity, not seen for more than 3 years.

Gainers outnumbered losers by the ratio of about 1.45:One, with about 67 percent of all counters, listed on The Stock Exchange of Hongkong Ltd, either seeing action in their scrip or hanging onto Thursday's closing levels.

There was no need to suggest that the market was selective: That was only too obvious.

There was nothing of any material importance that was driving the markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), last Friday.

With no incentive, one way or another, the markets just marked time, waiting for a lead.

On The New York Stock Exchange, the story was, pretty much, the same as in the HKSAR.

The Dow Jones Industrial Average, after spending most of the trading session in negative territory, ended the day up 4.29 points, about 0.04 percent, at 10,297.79 points.

The market looked as though it was ready for a technical correction, but not much more than that because, fundamentally, there was nothing to recommend the US economy whose immediate future is clouded with uncertainties.

On the NASDAQ, it was a similar, but reverse, situation to the Dow, as its Composite Index shed 3.07 points, about 0.16 percent, to 1,963.29 points.

The 2 stock markets of the HKSAR took note of the statistics from the world's largest stock market and decided to wait in order to see what would transpire over the weekend of August 11-12.

From publicly listed SUNDAY Communications Ltd (Code: 866, Main Board) came news that it was, still, suffering a loss situation.

The company announced a loss of \$HK114.47 million for the first half of this year.

The mobile telecommunications company, one of the smallest and worst performing in the HKSAR, said that it is experiencing flat sales of its mobile services; sales of handsets have declined, appreciably, management commented.

A close look at the finances of this company indicates that its lower losses, compared with the comparable 2000 first half, were, mainly, brought about by lower interest rates not any work on the part of management, which appears to be struggling ... to stay still.

Share prices of Mr Li Ka Shing's Hutchison Whampoa Ltd (Code: 13) and Cheung Kong (Holdings) Ltd (Code: 1) were little changed from Thursday's closing levels, being fractionally higher, only.

The double-digit movers included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
C.P. Pokphand Company Ltd	43	20.16		0.155
Capital Automation Holdings Ltd	493	15.38		0.30
China Elegance International Fashion Ltd	476	11.11		0.02
Dong Jian Tech.com Holdings Ltd	649	13.45		0.27
Fulbond Holdings Ltd	1041	12.20		0.046
Goldwiz Holdings Ltd	586	10.34		0.64
Greater China Sci-Tech Holdings Ltd	431		12.29	0.157
IFTA Pacific Holdings Ltd	371		10.17	0.265
iQuorum Cybernet Ltd	472	10.53		0.021
Lung Cheong International Holdings Ltd	348		10.03	0.52
Magnificent Estates Ltd	201		13.16	0.033
Mansion Holdings Ltd	547	21.21		0.04
Pioneer Global Group Ltd	224		23.53	0.26
Qingling Motors Company Ltd	1122	12.07		1.30
Rockapetta Holdings Ltd	1003	33.33		0.32
Styland Holdings Ltd	211	14.93		0.385

On The GEM – The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd – its performance mirrored that of the Main Board as its Growth Enterprise Index gained 0.52 percent, rising to 225.79 points.

The Total Turnover on this market was \$HK58.78 million, with gainers ahead of losers by the ratio of about 1.94:One.

The low level of interest in GEM-listed stocks was exemplified by the fact that about 68 percent of all the counters on this market did not trade, at all.

The double-digit movers on this market included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Computech Holdings Ltd	8081	17.24		0.68
iLink Holdings Ltd	8107	15.12		0.99
Shanghai Fudan Microelectronics Company Ltd	8102	10.83		1.74
Trasy Gold Ex Ltd	8063	15.38		0.03

In Japan, The Tokyo Stock Exchange witnessed another losing day as the Nikkei-225 Stock Average lost another 19.50 yen, falling to 11,735.06 yen.

After Thursday's selling spree, it was a welcome respite, caused to some extent by short-covering in select counters: Without the short-covering, the market would have been way down.

Mitsubishi Corporation, a major trading house in Japan, announced a Net Profit of 28.69 billion yen for its April-June quarter.

This was in line with company predictions, but it was, nevertheless, a reduction of about 62 percent, compared with the 2000 comparable period.

Asahi Breweries Ltd, a major player in the Japanese booze market, announced a first half profit of about 2.45 billion yen.

Two major electronics companies told shareholders their bad news, unveiling profit warnings for the remainder of the year.

The 2 companies were Advantest Corporation and Rohm Corporation.

Advantest, a manufacturer of semiconductor testing equipment, warned that its net profit was likely to be only 4 billion yen for the Financial Year, ending March 31, 2002.

That is a 91-percent drop, year-on-year.

The share price of Advantest lost 4.84 percent, falling to 8,460 yen.

Rohm, a specialty chipmaker, took a similar route to Advantest, announcing that its profits for the same Year would be down by about 56.60 percent to 36 billion yen, a 58-percent fall from the previous Year's results.

The share price of Rohm ended down 0.57 percent to 17,500 yen.

Rohm has lost about 25 percent of its market capitalisation since the beginning of the year.

The announcements from these 2 hi-tech companies caused others of the same ilk to see selling pressure hot up.

Management of Mabuchi Motor Company, the world's largest manufacturer of micro-motors, announced that it expected Net Profits of about 19.20 billion for the Current Year, ending December 31, 2001.

That projection compared unfavourably with the 2000 Financial Year when the company logged in a Net Profit of about 23.50 billion yen.

Sales are expected to be down to about 108 billion yen against 118 billion yen for the 2000 Year.

From 'killer' tyre manufacturer, Bridgestone/Firestone Incorporated, it was announced that it had acquired control of Morgan Tire and Auto Incorporated, a private retailer of tyres from Florida.

The acquisition will boost Bridgestone/Firestone's US outlets from 1,600 outlets to 2,150 outlets.

That deal makes the Japanese giant the largest retailer of tyres in the US, and, perhaps, in the world.

The listed company on The Tokyo Stock Exchange is Bridgestone Corporation.

In other parts of Asia, this was the situation, last Friday night:

Indonesia	Plus 1.16 percent
Japan	Minus 0.17 percent
Malaysia	Minus 0.62 percent
The Philippines	Plus 1.24 percent

Singapore	Minus 0.03 percent
South Korea	Plus 0.03 percent
Taiwan	Plus 0.64 percent
Thailand	Minus 0.28 percent

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