

**U.S. INTEREST RATES RISE 25 BASIS POINTS,
BUT IT IS THE HIGH PRICE OF ENERGY
THAT CONTINUES TO UNDERMINE INVESTOR CONFIDENCE**

Oil and oil exports continued to dominate the thoughts of most, well-informed investors, worldwide, last Monday, as the price of the black ooze hit another new high of \$US44.84 per barrel for September delivery on The New York Mercantile Exchange (NYMEX).

At the height of last Monday's trading, the price of light sweet crude oil hit \$US44.99 per barrel.

For October delivery, the price of light sweet crude oil was settled at \$US44.44 per barrel.

There were a number of reasons for the jump in the price of crude oil, one of which was a confirmed report that Iraq had halted production at its southern oil fields, after threats by Shia leader Muqtada al-Sadr's Mahdi Army that it would disrupt operations.

Until the threat is over, officials of the Iraqi Government stated, production would remain halted.

The production stoppage at the Southern Oil Company is the first significant shutdown since the handover of power to the Interim Iraqi Government on June 28.

The Southern Oil Company had been delivering 1.90 million barrels of crude oil per day to the Gulf Basra Terminal.

Things were going from bad to worse in Iraq, as Muqtada al-Sadr told his fighters to continue their struggle with the last drop of their blood in the Holy City of Najaf.

US Marines claimed that, as at last Monday night, they had killed a total of 360 fighters of the Mahdi Army.

In Basra, also, fighting raged as British troops fought running street battles with members of the Mahdi Army.

In Russia, the Finance Ministry continued to keep the purse strings, tightly closed, on OAO Yukos Oil Company (YUKOS).

Production at YUKOS represents about 2 percent of the world's supply of crude oil.

In summary, therefore, supplies of crude oil had tightened up while consumption of crude oil had continued to rise.

On Wall Street, last Monday, aside from the matter of the record-high price of oil, investors, also, had to cope with the matter of the US Federal Reserve Board, which was due to hold its Open Market Committee Meeting, the following day.

It was well expected that The Fed would be raising interest rates by another 25 basis points, at least.

However, also, in view of the international chaotic conditions, suggestions abounded that, perhaps, The Fed would leave things well-enough alone.

TARGET took the view, however, that The Fed had little choice but to raise interest rates by at least 25 basis points because, to do nothing, would be to court another bout of inflation in the fullness of time.

On the Big Board of The New York Stock Exchange, the Dow Jones Industrial Average ended last Monday's session flat, with a fall of just 0.01 percent, dropping to 9,814.66 points.

On The NASDAQ, its Composite Index shed about 0.13 percent of its value, falling to 1,774.64 points.

Trading was unusually quiet.

(Equity markets do not appreciate uncertainty)

With clear signs that the US economy was either faltering, or about to falter, European investors got the jitters.

Helping such matters along was a statement from British Airways that its passengers are to face a further, fuel-cost surcharge.

Long-haul passengers will be charged a £6.00 (about \$HK86.10) instead of £2.50 (about \$HK35.88), effective immediately.

The high price of crude oil had, clearly, started to bite, once again, and to bite hard.

Bourses in eurozone saw their indices fall in quick succession:

Amsterdam's AEX Index	Minus 0.84 percent
Great Britain's FTSE 100 Index	Minus 0.54 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.00 percent
France's CAC40 Index	Minus 0.88 percent
Switzerland's Swiss Market Index	Minus 0.57 percent
Italy's MIBTEL Index	Minus 0.92 percent

With The Bank of England, having raised its Base Rate by 25 basis points, the previous week, and with The Fed, expected to raise its Fed Funds' Rate by another 25 basis points within a period of about 24 hours, Europe was on tenterhooks.

For many bourses, their indices touched their lowest levels of the year.

In Asia, investors were, generally, bearish about short-term prospects.

On the 2 equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), fractional losses marked their closings.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index fell about 0.09 percent, ending the session at 12,467.41 points.

The Total Turnover dropped back to about \$HK9.33 billion, with the ratio of losing counters to gaining ones, being about 2.23:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK119.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 1.33 percent to \$HK57.00 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.37 percent to \$HK67.75 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.82 percent to \$HK61.50 per share
Henderson Land Development Company Ltd (Code: 12)	Up 1.71 percent to \$HK35.70 per share
PetroChina Company Ltd (Code: 857)	Down 1.94 percent to \$HK3.80 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 0.88 percent to \$HK22.55 per share
Bank of East Asia Ltd, The (Code: 23)	Down 1.66 percent to \$HK20.70 per share
Yanzhou Coal Mining Company Ltd (Code: 1171)	Down 3.47 percent to \$HK8.35 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 2.42 percent to \$HK3.025 per share

As for the Main Board's double-digit movers of the day, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Central China Enterprises Ltd	351	12.33		0.41
Compass Pacific Holdings Ltd	1188	10.00		0.33
E2-Capital (Holdings) Ltd	378	16.67		0.35
ITC Corporation Ltd	372		10.61	0.295
Nam Fong International Holdings Ltd	1176		16.67	0.02
Neo-China Group (Holdings) Ltd	563	29.17		0.31
Orient Resources Group Company Ltd	467	26.19		0.053
Shun Ho Technology Holdings Ltd	219		12.12	0.29
Swank International Manufacturing Company Ltd	663	10.20		0.054

Tem Fat Hing Fung (Holdings) Ltd	661		15.15	0.42
Tse Sui Luen Jewellery (International) Ltd	417		13.04	0.30
U-Cyber Technology Holdings Ltd	91		16.18	0.114
V.S. International Group Ltd	1002		10.53	0.17

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, it was a similar story to that, being told on the Main Board.

The Growth Enterprise Index gave up about 0.39 percent of its value, falling to 1,046.60 points on a Total Turnover of about \$HK47.66 million.

The ratio of declining counters to advancing ones was about 1.43:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

TOM Online Incorporated (Code: 8282)	Down 4 percent to \$HK1.23 per share
Yantai North Andre Juice Company Ltd (Code: 8259)	Down 5 percent to 82 cents per share
A and K Educational Software Holdings Ltd (Code: 8053)	Up 2 percent to 43 cents per share
B and S Entertainment Holdings Ltd (Code: 8067)	Down 2 percent to 78 cents per share
Phoenix Satellite Television Holdings Ltd (Code: 8002)	Up 2 percent to \$HK1.51 per share

The biggest GEM movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Linefan Technology Holdings Ltd	8166		10.26	0.035
M Channel Corporation Ltd	8036		14.29	0.018
Medical China Ltd	8186		11.25	0.071
PINE Technology Holdings Ltd	8013	25.00		0.15
Recruit Holdings Ltd	8073	23.08		0.016
Soluteck Holdings Ltd	8111	12.00		0.084
Tradeeasy Holdings Ltd	8163		28.57	0.02
Yuxing InfoTech Holdings Ltd	8005	14.06		0.365

News wise

- One of Mr Li Ka Shing's many publicly listed companies announced its results for the first half of its Financial Year, showing a Loss Attributable to Shareholders. This is what **Pacific Century Insurance Holdings Ltd (Code: 65)** announced, last Monday:

	(Unaudited) Current Period from 1/1/2004 to 30/6/2004 ('000)	(Unaudited) Last Corresponding Period from 1/1/2003 to 30/6/2003 ('000)
Turnover	: 826,277	785,138
Profit/(Loss) from Operations	: (111,181)	110,704
Finance cost	: N/A	N/A
Share of Profit/(Loss) of Associates	: N/A	N/A
Profit/(Loss) after Tax and Minority Interests	: (118,326)	107,086
Earnings Per Share-Basic (in dollars)	: (0.14)	0.13
Profit/(Loss) Attributable to Shareholders	: (118,326)	107,086
Interim Dividend	: Nil	Nil

In Japan, trading was very quiet on all of the country's 3 equity markets.

On the premier stock market of the country, The Tokyo Stock Exchange, the Nikkei-225 Stock Average shed 63.87 yen, equivalent to about 0.58 percent, dropping back to 10,908.70 yen.

Losing counters outran gaining ones by the ratio of about 2.21:One.

Japanese institutions, as with most of their counterparts in other parts of the world, were awaiting the determination of The Fed.

The expected 25, basis-point increase would be one thing, but the accompanying official statement from The Fed could well be much more important than the interest-rate increase because it could be a beacon for things to come.

This was how indices of other Asian markets closed, last Monday night:

The HKSAR	Minus 0.09 percent to 12,467.41
Indonesia	Minus 0.52 percent to 750.04
Japan	Minus 0.58 percent to 10,908.70
Malaysia	Minus 0.40 percent to 816.81
The Philippines	Plus 0.09 percent to 1,578.21
Singapore	Closed
South Korea	Plus 1.11 percent to 742.13
Taiwan	Plus 0.01 percent to 5,399.45
Thailand	Minus 0.57 percent to 607.47

Tuesday.

Dr Alan Greenspan, the Chairman of the US Federal Reserve Board, kept to the straight and narrow, last Tuesday, raising interest rates in the US by another 25 basis points.

This is that which The Fed announced:

'The Federal Open Market Committee decided today to raise its target for the federal funds rate by 25 basis points to 1-1/2 percent.

'The Committee believes that, even after this action, the stance of monetary policy remains accommodative and, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. In recent months, output growth has moderated and the pace of improvement in labor market conditions has slowed. This softness likely owes importantly to the substantial rise in energy prices. The economy nevertheless appears poised to resume a stronger pace of expansion going forward. Inflation has been somewhat elevated this year, though a portion of the rise in prices seems to reflect transitory factors.

'The Committee perceives the upside and downside risks to the attainment of both sustainable growth and price stability for the next few quarters are roughly equal. With underlying inflation still expected to be relatively low, the Committee believes that policy accommodation can be removed at a pace that is likely to be measured. Nonetheless, the Committee will respond to changes in economic prospects as needed to fulfill its obligation to maintain price stability.

'In a related action, the Board of Governors unanimously approved a 25 basis point increase in the discount rate to 2-1/2 percent... '.

The announcement from The Fed was not exactly bullish: **TARGET** interpreted it to mean, inter alia, that the relatively higher price of energy is biting into the US economy, with inflation and the threat of further inflationary fires, having raised its head.

Also, unless something dramatic happened between now and the late September meeting of The Fed's Open Market Committee Meeting, interest rates in the US could well rise by another 25 basis points.

Wall Street had been in a somewhat bullish mood, prior to The Fed's determination, but the official announcement caused a further flurry of activity on leading equity markets, spurring on the early bullish sentiments.

But the bulls were quite likely to be beaten back by the bears of Wall Street before the week was out.

On The New York Stock Exchange, last Tuesday, the Dow Jones Industrial Average put on 130.01 points, or about 1.32 percent, running up to 9,944.67 points.

On The NASDAQ, the Composite Index rang up a gain of about 1.92 percent, ending the session at 1,808.70 points.

Trading was very active, last Tuesday.

On The New York Mercantile Exchange (NYMEX), the price of light sweet crude oil for September delivery was settled at \$US44.52 per barrel, after having hit a high of \$US45.04 per barrel.

The October delivery price was settled down at \$US44.06 per barrel.

In Iraq, the situation continued to fester, with all oil exports, having been halted, and with little chance of an early return to normalcy.

There was talk in Iraq that secessionist forces were at work in the country, wanting to have the south of the country secede from the Central (Interim) Government.

Deputy Governor of Basra, Salem Uda al-Maliki, was reported to have stated that he was in favour of separating Basra, Misan and Dhi Qar Governorates from the Baghdad Government.

And in the Holy City of Najaf, fierce fighting continued between the forces of Shia cleric Muqtada al-Sadr and the US-led coalition forces, along with some contingents of Iraqi Government forces, with hundreds, being killed, mostly Mahdi Army conscripts of Muqtada al-Sadr, however.

With the uncertainty removed in respect of US interest rates, indices of major European bourses recovered some of their lost ground, as the following **TARGET** list of bourses indicates:

Amsterdam's AEX Index	Plus	1.00 percent
Great Britain's FTSE 100 Index	Plus	0.84 percent
Germany's Frankfurt XETRA DAX Index	Plus	0.82 percent
France's CAC40 Index	Plus	1.02 percent
Switzerland's Swiss Market Index	Plus	0.34 percent
Italy's MIBTEL Index	Plus	0.53 percent

However, the removal of one uncertainty from European markets was unlikely to placate European investors for long – because there was still the very unpleasant situation at international oil markets.

There was no advance on the Russian situation, too, in respect of the clampdown of oil exports from OAO Yukos Oil Company (YUKOS).

In Asia, investors determined to wait for the outcome of The Fed's meeting – and, for the most part, sat on their hands.

As a result, most equity markets marked time.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), there was some concern that another interest-rate increase in the US would result in the territory, following suit, on the grounds that the US dollar is linked to the Hongkong dollar.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index lost about 0.48 percent of its value, ending the day at 12,408.04 points.

The Total Turnover was about \$HK9.85 billion, with the ratio of losing counters to gaining ones, being very wide, at about 3.29:One.

The Ten Most Actives were:

Hutchison Whampoa Ltd (Code: 13)	Up 0.44 percent to \$HK57.25 per share
HSBC Holdings plc (Code: 5)	Down 0.42 percent to \$HK118.50 per share
Yanzhou Coal Mining Company Ltd (Code: 1171)	Down 2.99 percent to \$HK8.10 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 0.37 percent to \$HK67.50 per share
Huaneng Power International Incorporated (Code: 902)	Down 3.33 percent to \$HK5.80 per share

China Mobile (Hongkong) Ltd (Code: 941)	Down 0.89 percent to \$HK22.35 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 1.22 percent to \$HK60.75 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK3.80 per share
Bank of East Asia Ltd, The (Code: 23)	Down 0.72 percent to \$HK20.55 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 1.65 percent to \$HK2.975 per share

As for the double-digit movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Motion Telecom International Ltd	989	10.26		0.43
Chinney Alliance Group Ltd	385		21.43	0.011
Everest International Investments Ltd	204	22.22		0.055
Hanny Holdings Ltd	275	11.65		2.875
Haywood Investments Ltd	905		21.43	0.055
I-China Holdings Ltd	240		13.64	0.19
Jackin International Holdings Ltd	630		17.60	0.206
Jiwa Bio-Pharm Holdings Ltd	2327	10.61		0.365
MAXX Bioscience Holdings Ltd	512	11.43		0.117
Omicorp Ltd	94	12.24		1.10
Pacific Plywood Holdings Ltd	767		10.53	0.034
Start Technology Company Ltd	706		10.26	0.35
Sun Media Group Holdings Ltd	307	16.67		0.014
Technology Venture Holdings Ltd	61		14.38	0.137

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the situation was very similar to that of the Main Board.

The Growth Enterprise Index slipped 0.71 percent to 1,039.17 points on a Total Turnover of about \$HK46.48 million.

Losing counters outran gaining ones by the ratio of about 1.41:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Tong Ren Tang Technologies Company Ltd (Code: 8069)	Down 2 percent to \$HK16.40 per share
Sau San Tong Holdings (Cayman Islands) Ltd (Code: 8200)	Up 10 percent to 56 cents per share
MP Logistics International Holdings Ltd (Code: 8239)	Down 2 percent to \$HK1.27 per share
Panva Gas Holdings Ltd (Code: 8132)	Unchanged at \$HK3.45 per share
TOM Online Incorporated (Code: 8282)	Up 1 percent to \$HK1.24 per share

The biggest GEM movers were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Creative Energy Solutions Holdings Ltd	8109	18.86		0.208
Glory Future Group Ltd	8071		13.79	0.025
Golding Soft Ltd	8190		13.89	0.031
Inno-Tech Holdings Ltd	8202		13.33	0.078
Linefan Technology Holdings Ltd	8166	42.86		0.05
M Channel Corporation Ltd	8036	11.11		0.02
Media Partners International Holdings Incorporated	8072	11.11		0.40
Shandong Molong Petroleum Machinery Company Ltd	8261	12.90		0.70
Tradeeasy Holdings Ltd	8163	30.00		0.026

It was another quiet day on Japanese equity markets, as investors waited to hear what recommendations The Fed had in mind for the largest economy of the world.

On The Tokyo Stock Exchange, The Nikkei-225 Stock Average gained 44.85 yen, equivalent to about 0.41 percent, running up to 10,953.55 yen.

The ratio of advancing counters to declining ones was about 1.50:One.

This was how indices of other Asian equity markets fared, last Tuesday:

The HKSAR	Minus 0.476 percent to 12,408.04
Indonesia	Plus 0.32 percent to 752.44
Japan	Plus 0.41 percent to 10,953.55
Malaysia	Plus 0.49 percent to 820.78
The Philippines	Plus 0.07 percent to 1,579.26
Singapore	Minus 1.11 percent to 1,901.41
South Korea	Plus 0.87 percent to 748.62
Taiwan	Minus 0.11 percent to 5,393.73
Thailand	Minus 0.09 percent to 606.94

Wednesday

In the light of runaway oil prices on international exchanges, the Government of Saudi Arabia announced that it would be pumping another 1.30 million barrels of crude oil per day.

Saudi Arabia, a member of OPEC (The Organisation of Petroleum Exporting Countries), appeared to have taken the action without reference to the Central Committee of OPEC.

But the announcement from Saudi Arabia came too late for traders on The New York Mercantile Exchange (NYMEX) to take advantage of the news.

The price of light sweet crude oil on The NYMEX, last Wednesday, rose to \$US44.80 per barrel, an increase of about 28 cents (US) per barrel on Tuesday's last settlement price.

As for October delivery, the price of light sweet crude oil was settled at \$US44.35 per barrel, up about 29 cents (US) per barrel.

The Saudi Arabian Government announcement, also, came too late to curb a selling spree, which pulled down all of the major indices on The New York Stock Exchange.

The Dow Jones Industrial Average fell about 0.06 percent to end the day at 9,938.32 points, while, on The NASDAQ, its Composite Index surrendered about 1.45 percent of its value, falling back to 1,782.42 points.

Oil was only partly to blame for the falls in key indices on equity markets of the US because the warning bell, in respect of the hi-tech industry of the US, was sounding, loudly and long.

Cisco Systems Incorporated forecast trouble ahead for the world's largest producer of networking equipment.

Cisco Systems was not the first of its ilk to make such predictions.

From Washington, D.C., the US Government's Treasury Department announced more bad news: The Budget Deficit for the month of July was \$US69.16 billion.

In July 2003, the Budget Deficit was \$US54.24 billion.

Investors in Europe were, clearly, concerned about their lot of the US and their own; and, this concern was expressed by every index of every major bourse, going into reverse gear, last Wednesday.

The continuing high price of energy, the uncertain situation in Iraq, and warnings from some of Wall Street *'darlings'* as to what to expect in the third and fourth quarters of this year, all took its toll of investor confidence.

This was how indices of the major bourses ended their respective trading days:

Amsterdam's AEX Index	Minus 1.06 percent
Great Britain's FTSE 100 Index	Minus 0.88 percent

Germany's Frankfurt XETRA DAX Index	Minus 1.12 percent
France's CAC40 Index	Minus 0.85 percent
Switzerland's Swiss Market Index	Minus 0.61 percent
Italy's MIBTEL Index	Minus 0.90 percent

For many European bourses, last Wednesday's close were the lowest levels in the previous 8 months.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the key index of blue chips, the Hang Seng Index, lost about 0.52 percent of its value, ending the session at 12,343.13 points.

The Total Turnover was about \$HK11.19 billion.

But the ratio of losing counters to gaining ones told another story because it suggested that further major falls were in store.

Losing counters outnumbered gaining ones by about 2.83:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK118.50 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.37 percent to \$HK67.75 per share
Hutchison Whampoa Ltd (Code: 13)	Down 1.31 percent to \$HK56.50 per share
Huaneng Power International Incorporated (Code: 902)	Down 3.45 percent to \$HK5.60 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Down 1.53 percent to \$HK12.85 per share
Yanzhou Coal Mining Company Ltd (Code: 1171)	Down 0.62 percent to \$HK8.05 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 0.82 percent to \$HK60.25 per share
PetroChina Company Ltd (Code: 857)	Down 2.63 percent to \$HK3.70 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 3.36 percent to \$HK2.875 per share
China Telecom Corporation Ltd (Code: 728)	Down 1.00 percent to \$HK2.475 per share

As for the Main Board's biggest movers of the day, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Rich Holdings Ltd	1191		10.53	0.034
China Velocity Group Ltd	149		18.37	0.80
Chinney Alliance Group Ltd	385	27.27		0.014
Global Bio-chem Technology Group Company Ltd	809		10.48	5.55
I-China Holdings Ltd	2929		13.64	0.19
Nam Fong International Holdings Ltd	1176	30.00		0.026
Ngai Hing Hong Company Ltd	1047		11.11	0.56
Victory Group Ltd	1139	31.58		0.025
Wonson International Holdings Ltd	651	38.46		0.018

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, The Growth Enterprise Index shed about 0.74 percent of its value, falling back to 1,031.44 points.

The Total Turnover on this speculative market was about \$HK41.96 million.

Losing counters were ahead of gaining ones by the ratio of 1.76:One, exactly.

The 5, most-active counters, in terms of their respective turnovers, only, were:

Panva Gas Holdings Ltd (Code: 8132)	Down 1 percent to \$HK3.40 per share
Tong Ren Tang Technologies Company Ltd (Code: 8069)	Up 1 percent to \$HK16.50 per share
Wumart Stores Incorporated (Code: 8277)	Unchanged at \$HK13.80 per share
Sau San Tong Holdings (Cayman Islands) Ltd (Code: 8200)	Down 4 percent to 54 cents per share
Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)	Up 1 percent to 39.50 cents per share

The GEM's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (SHK)
Changchun Da Xing Pharmaceutical Company Ltd	8067	12.96		0.305
Global Digital Creations Holdings Ltd	8271		10.91	0.147
Glory Future Group Ltd	8071		20.00	0.02
Linefan Technology Holdings Ltd	8166		20.00	0.04
PINE Technology Holdings Ltd	8013		13.33	0.13
Prosperity International Holdings (Hongkong) Ltd	8139		16.67	0.015
Ultra Group Holdings Ltd	8203	18.92		0.044
Yuxing InfoTech Holdings Ltd	8005		12.33	0.32

News wise

- Two publicly listed companies announced vastly improved Bottom Lines for their first 6 months of 2004, last Wednesday. They were **Cathay Pacific Airways Ltd (Code: 293)** and **Phoenix Satellite Television Holdings Ltd (Code: 8002)**:

Cathay Pacific Airways Ltd

	<i>(Unaudited)</i> Current Period from 1/1/2004 to 30/6/2004 (Million)	<i>(Unaudited)</i> Last Corresponding Period from 1/1/2003 to 30/6/2003 (Million)
Turnover	: 18,185	12,275
Profit/(Loss) from Operations	: 2,230	(760)
Finance cost	: (316)	(281)
Share of Profit/(Loss) of Associates	: 151	8
Profit/(Loss) after Tax and Minority Interests	: 1,771	(1,241)
Earnings Per Share in Hongkong dollars	: 0.528	(0.372)
Interim Dividend per share	: 20 cents	3 cents

Phoenix Satellite Television Holdings Ltd

	<i>(Unaudited)</i> Current Period from 01/01/2004 to 30/06/2004 (’000)	<i>(Unaudited)</i> Last Corresponding Period from 01/01/2003 to 30/06/2003 (’000)
Turnover	: 568,867	359,040
Profit/(Loss) from Operations	: 87,677	(34,077)
Finance Cost	: (3)	(6)
Share of Profit/(Loss) of Associates	: 87,674	(34,083)
Profit/(Loss) after Tax and Minority Interests	: 82,802	(34,071)
Earnings Per Share-Basic (in Hongkong dollars)	: 0.0168	(0.0069)
Profit/(Loss) Attributable to Shareholders	: 82,802	(34,071)

In Japan, investors on the largest Asian equity market were feeling somewhat chipper and, as a result, indices on the 3 equity markets of the country made gains, during the trading day.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average rose 95.91 yen, or about 0.88 percent, ending the day at 11,049.46 yen.

The ratio of gaining counters to losing ones was about 4.79:One.

If anything, one would have thought that Japan would have followed Wall Street, down, but it was not to be.

News wise

- **Softbank Corporation** announced a Net Loss Attributable to Shareholders of about 17.88 billion yen for the first quarter, ended June 30, 2004;
- **Wholesale prices** in Japan rose about 1.60 percent in July, compared with July 2003. It was the 5th consecutive month of gains and the largest single rise in 13 years, The Bank of Japan announced; and,
- **Japan's Current Account Surplus** for the January to June period grew by about 31.90 percent, compared with the like period in 2003, The Finance Ministry said.

And this was how other Asian equity markets fared, last Wednesday:

The HKSAR	Minus 0.52 percent to 12,343.13
Indonesia	Plus 1.53 percent to 763.95
Japan	Plus 0.88 percent to 11,049.46
Malaysia	Plus 0.08 percent to 821.45
The Philippines	Plus 0.83 percent to 1,592.40
Singapore	Minus 0.27 percent to 1,896.19
South Korea	Plus 0.59 percent to 753.06
Taiwan	Minus 0.49 percent to 5,367.34
Thailand	Minus 1.87 percent to 595.60

Thursday

The price of crude oil hit another new high, last Thursday, causing new panic in many quarters.

In the Holy City of Najaf, said to be the *'heart'* of Shi-ism, US marines, backed by tanks and aircraft, seized the heart of the city in what was described as being a major assault on the al-Madhi Army of Shia cleric Moqtada al-Sadr.

Hundreds of followers of Moqtada al-Sadr have sacrificed their lives, thus far, but the lines of new recruits to join the Madhi Army were long, as the faithful signed up for the slaughter because, in truth, they had no chance of success against the well-armed and well-trained US forces.

Up to last Thursday, no attack had taken place on the Imam Ali Mosque, the most-revered mosque for Shia Muslims.

There were said to be a combined force of more than 3,800 soldiers – 2,000 US servicemen and about 1,800 Iraqi Security Men – ready to pounce on the Imam Ali Mosque once the *'go-button'* was pushed.

The fighting in Iraq – by last Thursday, it had spread to every major city in the country – unnerved traders, worldwide.

On The New York Mercantile Exchange (NYMEX), the price of light sweet crude oil hit another new high of \$US45.50 per barrel for September delivery.

That represented an increase of about 1.56 percent in one, 24-hour period.

As for October delivery, the price rose to \$US44.93 per barrel, up 1.31 percent on Wednesday's last settlement price.

On The New York Stock Exchange, the Dow Jones Industrial Average surrendered another 1.24 percent of its value, ending the day at 9,814.59 points.

Over on The NASDAQ, its Composite Index shed another 1.68 percent, dropping back to 1,752.49 points.

In addition to the high price of oil, investors in The Land of The Free and The Home of The Brave were faced with further evidence that all was not well in America Incorporated.

From the offices of the mighty **Hewlett-Packard Company (HP)** at San Francisco, California, there came news from its Chairman and Chief Executive, Mr Carly Fiorina, that demand for HP's products had weakened at the end of the third quarter, ended July 31, 2004.

Profits of HP were likely to drop in the fourth quarter, the world was told.

The share price of HP dropped 13 percent on the news, with investors, completely disregarding the profit gains, Quarter-on-Quarter.

The announcement from HP was just another proverbial nail in the hi-tech coffins of the largest entities in the world, those, churning out personal computers, Internet-related paraphernalia, etc.

In Europe, it was difficult for investors in that part of the world to disregard what was happening across the pond, called the Atlantic Ocean.

But Europeans had other considerations, in addition to watching the antics of the largest economy that the world has ever produced.

This was how indices of major bourses in Europe ended their respective trading days, last Thursday:

Amsterdam's AEX Index	Minus 0.41 percent
Great Britain's FTSE 100 Index	Plus 0.36 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.56 percent
France's CAC40 Index	Minus 0.24 percent
Switzerland's Swiss Market Index	Plus 0.18 percent
Italy's MIBTEL Index	Minus 0.18 percent

In Asia, indices of major bourses moved only fractionally, plus or minus.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), there was some respite, as banks in the territory had declined to raise interest rates in line with the US Federal Reserve Board's determinations of last Tuesday.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index gained 0.57 percent, running up to 12,413.43 points.

The Total Turnover was about \$HK11.46 billion.

In spite of the Hang Seng Index, being in positive territory by the close of the day, the number of losing counters outran the number of gaining counters by the ratio of about 1.19:One.

The Ten Most Active counters of the day were:

HSBC Holdings plc (Code: 5)	Unchanged at \$HK118.50 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.85 percent to \$HK69.00 per share
PetroChina Company Ltd (Code: 857)	Down 0.68 percent to \$HK3.675 per share
Yanzhou Coal Mining Company Ltd (Code: 1171)	Down 0.62 percent to \$HK8.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.89 percent to \$HK57.00 per share
Swire Pacific Ltd "A" (Code: 19)	Down 1.94 percent to \$HK50.50 per share
Huaneng Power International Incorporated (Code: 902)	Unchanged at \$HK5.60 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 1.74 percent to \$HK2.825 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK12.85 per share
Henderson Land Development Company Ltd (Code: 12)	Up 1.13 percent to \$HK35.90 per share

The Main Board's double-digit movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
New World Mobile Holdings Ltd	862	23.64		1.36
Haywood Investments Ltd	905	17.65		0.06
Jackley Holdings Ltd	353		20.00	0.04

Lenovo Group Ltd	992	11.11		2.25
LifeTec Group Ltd	1180		13.58	0.07
Multifield International Holdings Ltd	898		23.15	0.083
Ngai Hing Hong Company Ltd	1047	10.71		0.62
Pacific Plywood Holdings Ltd	767		11.11	0.032
South East Group Ltd	726	13.48		0.101
Starbow Holdings Ltd	397		12.50	0.035
Sunlink International Holdings Ltd	2336		10.34	0.052
Swank International Manufacturing Company Ltd	663	10.00		0.055
Wonson International Holdings Ltd	651		11.11	0.016
YGM Trading Ltd	375	11.11		8.00

On The **Growth Enterprise Market** (The GEM) of The Stock Exchange of Hongkong Ltd, the market drifted fractionally lower.

The Growth Enterprise Index gave up about 0.28 percent of its value, falling to 1,028.59 points.

The Total Turnover on this speculative market was about \$HK53.75 million.

The ratio of losers to gainers was, exactly, even, at One:One.

The 5, most-active counters, in terms of their respective turnovers, only, were:

TOM Online Incorporated (Code: 8282)	Up 10 percent to \$HK1.15 per share
Golden Meditech Company Ltd (Code: 8180)	Unchanged at \$HK3.00 per share
Yantai North Andre Juice Company Ltd (Code: 8259)	Up 1 percent to 81 cents per share
Tong Ren Tang Technologies Company Ltd (Code: 8069)	Unchanged at \$HK16.55 per share
MP Logistics International Holdings Ltd (Code: 8239)	Up 1 percent to \$HK1.30 per share

The biggest GEM movers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
CCID Consulting Company Ltd	8235	10.71		0.248
DIGITALHONGKONG.COM	8007		11.11	0.48
Global Digital Creations Holdings Ltd	8271	13.61		0.167
Glory Future Group Ltd	8071	65.00		0.033
Jiangsu Nandasoft Company Ltd	8045	10.26		0.43
KanHan Technologies Group Ltd	8175		10.81	0.066
Superdata Software Holdings Ltd	8263	12.50		0.81

News wise

PCCW Ltd (Code: 8) was reported to have sacked another 71, lower-level employees. PCCW is a Li Ka Shing company;

Also, from the Li Ka Shing Camp, it was reported that **TOM Group Ltd (Code: 2383)** had come good, at long last, and had been in profit for the first half of this Financial Year. (Please see the official release, below); and,

Swire Pacific Ltd (Code: 19), also, released its Interim Report, which showed a much-improved picture of the company. (Please see the official release, below)

The following are the official releases from TOM Group Ltd and Swire Pacific Ltd:

Swire Pacific Ltd

	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>Current</i>	<i>Last</i>
	<i>Period</i>	<i>Corresponding</i>
	<i>from 01/01/2004</i>	<i>Period</i>
	<i>to 30/06/2004</i>	<i>from 01/01/2003</i>
	<i>(Million)</i>	<i>to 30/06/2003</i>
		<i>(Million)</i>
<i>Turnover</i>	: 8,491	7,240
<i>Profit/(Loss) from Operations</i>	: 2,585	1,960

Finance cost	:	(660)	(222)
Share of Profit/(Loss) of Associates	:	1,363	(171)
Share of Profit/(Loss) of Jointly Controlled Entities	:	309	259
Profit/(Loss) after Tax and Minority Interests	:	2,952	1,187
Percentage Change over Last Period	:	+149%	
Earnings Per Share-Basic (in Hongkong dollars)			
- "A" Shares	:	1.928	0.775
- "B" Shares	:	0.386	0.155
Profit/(Loss) Attributable to Shareholders	:	2,952	1,187
Interim Dividend per Share			
- "A" Shares	:	58 cents	32 cents
- "B" Shares	:	11.6 cents	6.4 cents

TOM Group Ltd

	(Unaudited) Current Period from 1/1/2004 to 30/6/2004 (‘000)	(Unaudited) Last Corresponding Period from 1/1/2003 to 30/6/2003 (‘000)
Turnover	: 1,198,375	911,968
Profit/(Loss) from Operations	: 759,512	(12,420)
Finance Cost	: (15,369)	(9,611)
Share of Profit/(Loss) of Associates	: 853	732
Share of Profit/(Loss) of Jointly Controlled Entities	: (346)	(4,998)
Profit/(Loss) after Tax and Minority Interests	: 684,105	(32,674)
Earnings Per Share		
-- Basic (in Hongkong dollars)	: 0.1762	(0.0098)
Profit/(Loss) Attributable to Shareholders	: 684,105	(32,674)

In The Land of The Rising Sun, the equity markets were comparatively quiet.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average ended the day with a loss of about 21.39 yen, equivalent to about 0.19 percent, to 11,028.07 yen.

Losing counters were ahead of gaining ones by the ratio of 1.40:One, exactly.

This was how indices on other Asian stock markets ended their respective days, last Thursday:

The HKSAR	Plus 0.57 percent to 12,413.43
Indonesia	Minus 0.76 percent to 758.18
Japan	Minus 0.19 percent to 11,028.07
Malaysia	Minus 0.19 percent to 819.85
The Philippines	Plus 0.13 percent to 1,594.48
Singapore	Minus 0.42 percent to 1,888.18
South Korea	Plus 1.81 percent to 766.70
Taiwan	Plus 0.01 percent to 5,368.02

Friday

The price of crude oil hit an all-time high, last Friday, topping \$US46.58 per barrel for September delivery.

The last settled price represented an increase of \$US1.08 per barrel, or about 2.37 percent on Thursday's closing level.

For October delivery, the last price was settled at \$US46.03 per barrel, up about 2.45 percent, compared with Thursday's closing rate.

The oil-price increase shocked economists, the world over.

The reasons, being given for the wild ride of the price of oil, were the continued unrest in Iraq and the Venezuela situation.

In Iraq, production of crude oil had been halved, to about 41,000 barrels per hour, as the country continued to be held in the grip of a struggle between the Mahdi Army of Shia cleric Muqtada al-Sadr and a coalition of US Marines and Iraqi Security Forces.

As at last Friday morning, Hongkong time, an uneasy ceasefire was said to be in force between the warring factions.

This open-ended ceasefire was to allow negotiations to take place in order to try to find a solution to the conflict.

In Venezuela, President Hugo Chavez faced a weekend referendum on his rule.

If push comes to shove and President Chavez is seen not to have the popular support to continue his presidency, it could spell unrest for the country.

Venezuela is a member of OPEC (The **O**rganisation of **P**etroleum **E**xporting **C**ountries) and is responsible for about 20 percent of the oil output of the world.

Any stoppage of Venezuelan oil would have an impact, internationally – and immediately.

On Wall Street, last Friday, equity markets squeezed out fractional gains, only.

The Dow Jones Industrial Average, the key index of the movement of blue chips, listed on The New York Stock Exchange, put on 0.11 percent, ending the week at 9,825.35 points.

On The NASDAQ, its Composite Index rose 0.27 percent, running back to 1,757.22 points.

The tally for the 2 largest equity markets of the world was:

The Dow Jones Industrial Average	Plus	0.10 percent
The Composite Index of The NASDAQ	Minus	1.11 percent

European bourses sported losers, only, last Friday, as the following **TARGET** list illustrates:

Amsterdam's AEX Index	Minus	0.28 percent
Great Britain's FTSE 100 Index	Minus	0.61 percent
Germany's Frankfurt XETRA DAX Index	Minus	0.30 percent
France's CAC40 Index	Minus	0.26 percent
Switzerland's Swiss Market Index	Minus	1.14 percent
Italy's MIBTEL Index	Minus	0.10 percent

Europe was more than a little concerned about the US economy, with strong suggestions that it was softening at a faster and faster rate as the weeks went by.

And the record-high price of crude oil, if it is maintained for any appreciable length of time, must take a very large bite out of the US economy, it was speculated.

Asian equity markets were weak, with only 2 out of the 9 major markets, registering positive closings, last Friday.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Hang Seng Index ended the week's trading with a loss of about 0.43 percent, falling back to 12,359.83 points.

The Total Turnover dipped to about \$HK9.09 billion.

The ratio of losing counters to gaining ones was about 2.43:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 0.42 percent to \$HK118.00 per share
PetroChina Company Ltd (Code: 857)	Down 0.68 percent to \$HK3.65 per share
Huaneng Power International Incorporated (Code: 902)	Down 3.57 percent to \$HK5.40 per share
Hutchison Whampoa Ltd (Code: 13)	Unchanged at \$HK57.00 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 0.89 percent to \$HK2.80 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 1.24 percent to \$HK61.25 per share
Li and Fung Ltd (Code: 494)	Down 5.71 percent to \$HK9.90 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 0.89 percent to \$HK22.15 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK12.85 per share
Swire Pacific Ltd "A" (Code: 19)	Up 0.99 percent to \$HK51.00 per share

The Main Board's double-digit movers included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Conservational Power Holdings Ltd	290		11.76	0.375
China Strategic Holdings Ltd	235	13.33		0.34
City Telecom (Hongkong) Ltd	1137	12.18		1.75
Dickson Group Holdings Ltd	313	10.00		0.044
GeoMaxima Energy Holdings Ltd	702		10.00	0.09
Haywood Investments Ltd	905		30.00	0.042
Jackley Holdings Ltd	353		27.50	0.029
Jiaoda Kunji High-Tech Company Ltd	300	11.11		1.00
Multifield International Holdings Ltd	898	12.05		0.093
Pioneer Global Group Ltd	224		12.00	0.242
China Silver Dragon Group Ltd	855		10.34	0.182
UDL Holdings Ltd	620		11.76	0.015
Wing Shing Chemical Holdings Ltd	850	11.54		0.29

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, The Growth Enterprise Index shed another 0.11 percent of its value, ending the day at 1,027.44 points.

The Total Turnover was about \$HK55.56 million, with the ratio of losing counters to gaining ones, being 1.50:One, exactly.

The 5, most-active counters, in terms of their respective turnovers, only, were:

TOM Online Incorporated (Code: 8282)	Down 4 percent to \$HK1.15 per share
Wumart Stores Incorporated (Code: 8277)	Down 1 percent to \$HK13.50 per share
Yantai North Andre Juice Company Ltd (Code: 8259)	Unchanged at 81 cents per share
MP Logistics International Holdings Ltd (Code: 8239)	Unchanged at \$HK1.30 per share
A and K Educational Software Holdings Ltd (Code: 8053)	Up 5 percent to 44.50 cents per share

As for the biggest GEM movers, they were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Creative Energy Solutions Holdings Ltd	8109	10.00		0.22
Emperor Entertainment Group Ltd	8078	11.32		1.18
Glory Future Group Ltd	8071		12.12	0.029
iSteelAsia Holdings Ltd	8080	47.06		0.05
Leadership Publishing Group Ltd	8010		10.00	0.045
Lee's Pharmaceutical Holdings Ltd	8221	17.90		0.27
M Channel Corporation Ltd	8036	15.00		0.023

Tradeeasy Holdings Ltd	8163		30.77	0.018
Ultra Group Holdings Ltd	8203	16.28		0.05
Zheda Lande Scitech Ltd	8106	10.94		0.355

The tally for the 2 equity markets of the HKSAR was:

The Hang Seng Index Minus 0.95 percent
The Growth Enterprise Index Minus 2.22 percent

On The Tokyo Stock Exchange, last Friday, the key index hit bottom: The Nikkei-225 Stock Average lost 270.87 yen, equivalent to 2.45 percent, ending the week at 10,757.20 yen.

It was the lowest level of the previous 90 days.

The ratio of losing counters to gaining ones was 10.60:One.

Aside from international situations – oil, Iraq, Venezuela, etc – there were other, homegrown problems about which Japanese investors had to concern themselves. (Please see [News wise](#))

News wise

- The Government of Prime Minister Junichiro Koizumi announced that the **Japanese economy** had grown by 0.40 percent during the quarter, ended June 30, 2004. For the previous 12 months, the economy had grown by about 1.70 percent. Annualising the latest batch of statistics indicated that the second-largest economy of the world had started to stall;
- **Industrial production** in Japan for the month of June, seasonally adjusted, was down 1.30 percent, compared with May, The Ministry of Economy, Trade and Industry announced; and,
- **Departmental store sales** at Tokyo for the month of July were off by about 1.10 percent, Year-on-Year, The Japan Department Stores Association said.

And, so, the tally for the largest equity market in Japan was:

The Nikkei-225 Stock Average Minus 1.96 percent

And this was how other Asian equity markets finished the week of August 14, 2004:

The HKSAR	Minus 0.43 percent to 12,359.83
Indonesia	Minus 0.29 percent to 755.92
Japan	Minus 2.45 percent to 10,757.20
Malaysia	Minus 0.51 percent to 815.62
The Philippines	Minus 0.24 percent to 1,590.63
Singapore	Minus 0.81 percent to 1,872.88
South Korea	Plus 1.21 percent to 776.02
Taiwan	Plus 0.40 percent to 5,389.93
Thailand	Minus 1.13 percent to 588.87

-- END --

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