

**THE SPECTRE OF WAR LIFTS ITS HEAD, ONCE AGAIN:  
EQUITY MARKETS CONTINUE TO SLIDE**

Easter was the holiday and, around the world, churches filled to capacity, during the long weekend of April 18-21, as the Christian faithful determined that it was time to give thanks to their Maker rather than worry about making money.

But, in Asia, the majority of whose population is not predominantly Christian, it was business as usual on equity markets.

All but one of Asia's equity markets fell out of bed when they re-opened on Tuesday, April 22 (Asians like holidays, too – anybody's holiday ... and everybody's holiday).

In what is, now, war-torn Iraq, Shi'ites took to the streets, demanding that (a) the US troops should leave the country, quickly, and (b) they, the Shi'ites, must have the upper political hand over Iraqi Sunni Muslims, the Sunni Muslims, being the schism of Saddam Hussein, representing about 35 percent of the Muslim population of the 22 million human inhabitants, the Shi'ites, being in the majority, representing about 65 percent of the Muslim population.

The demonstrations of the Shi'ites in major cities of the country were known to be orchestrated by the powerful Muslim cleric, Ayatollah Sayed Mohamad al-Hakim, the self-appointed leader of the Iraqi Shi'ites, who is based in Iran and who is supported, financially, by the Iranian Government.

Ayatollah Sayed Mohamad al-Hakim landed his army of about 15,000 of his most loyal followers in the north of Iraq, ready to take, what they consider to be, their rightful place in the country's new government.

The US Government, of course, is concerned that a fundamentalist Muslim state would thwart its plans for the democratisation of the country, a system of government that, ultimately, would bring a new and compatible – compatible to the US, that is – social order to the entire Middle East as the success of one country's changeover, from feudalism or dictatorship, would force other countries to follow suit.

Meanwhile, the Organisation of Petroleum Exporting Countries (OPEC) was making rude noises to the effect that the US Government had no right to exploit Iraq's oil reserves; and, it had absolutely no right to oil revenues from the exportation of Iraqi oil in order to reimburse the US Government for its invasion (termed as being '*liberation*') of Iraq.

While the Iraqi population appeared to be jubilant at the fact that they could, now, exercise those freedoms that should be the right of all men, without having armed thugs, ready, and quite willing, to shoot them at the drop of a hat, hundreds of thousands of them, also, were being driven by other forces: '*We do not quite forgive a giver. The hand that feeds us is in some danger of being bitten.*' (Ralph Waldo Emerson [1803-1882])

To the continued embarrassment of the US Government, the promised weapons of mass destruction, supposedly having been manufactured by the Government of President Saddam Hussein, had not been found in Iraq.

Prior to the outbreak of the war, Secretary of State, Mr Colin Luther Powell, had promised that the Administration knew where the weapons of mass destruction were stored and that, at the appropriate time, they would be displayed for the world to view.

Last week, the US Administration appeared to be asking people in Iraq if they knew of any such weaponry.

Brigadier General Vincent Brooks, in a news briefing at the Headquarters of Central Command, told journalists:

*'We remain confident that we'll find evidence of the (weapons of mass destruction) programme that has been in place in Iraq for some time.'*

Turning to another international tinderbox, last Wednesday, talks started between the US, North Korea and the People's Republic of China (PRC) in respect of trying to defuse a potentially lethal situation in Pyongyang, the Capital City of North Korea.

As TARGET had predicted, earlier, the PRC Government is using its Good Offices in order to try to broker a deal, which is acceptable to the US Government and the Government of Kim Yong Il, the Head of State of North Korea.

(For more on this situation, please see [TARGET Intelligence Report, Volume V, Number 73](#), published on April 16, 2003)

The US Government is extremely concerned about North Korea and its propensity for being jingoistic and bellicose with regard to its rhetoric, aimed at the US Government.

The US Government halted shipments of oil to North Korea in November 2002, following an October declaration from Pyongyang that it had, secretly, been carrying on with its nuclear programme.

The oil shipments to this poverty stricken country were on the understanding that North Korea would cease its ambitions to be a nuclear power.

This reclusive country withdrew from the Nuclear Non-Proliferation Treaty, last January, and reactivated its Yongbyon Nuclear Plant, about one month later.

South Korea, Japan and the PRC, all, want to heal the rift between the US and North Korea; and, all 3 countries want North Korea to be shot of its nuclear ambitions.

In Europe, last Tuesday, as is common with that part of the world, a long religious holiday, usually, means a long and painful headache, following it (the British love their warm beer and the Germans guzzle copious quantities of schnapps, while the French *'bathe'* in their wonderful and plentiful supply of wine).

This was how European bourses started off the week of April 22, 2003:

|                                     |                    |
|-------------------------------------|--------------------|
| Amsterdam's AEX Index               | Plus 0.16 percent  |
| Great Britain's FTSE 100 Index      | Plus 0.73 percent  |
| Germany's Frankfurt XETRA DAX Index | Plus 2.11 percent* |
| France's CAC40 Index                | Plus 0.55 percent  |
| Switzerland's Swiss Market Index    | Plus 0.17 percent  |
| Italy's MIBTEL Index                | Plus 0.50 percent  |

\* The biggest European gainer of the day

In the Hongkong Special Administrative Region (HKSAR) of the PRC, Severe Acute Respiratory Syndrome (SARS) continued to be the talk of the day, as it appeared that, with the passing of each day, new cases and new deaths were being reported by the Authorities; these cases hugged the headlines of the Popular Press, naturally.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index dropped another 0.08 percent, falling to 8,571.91 points on a Total Turnover of about \$HK5.29 billion.

The ratio of losers to gainers was 2.24:One, despite the Hang Seng Index, having fallen only a fraction.

On Thursday, April 17, just before the start of the Easter break, the Hang Seng Index had surrendered about 1.11 percent of its value.

Investors of the HKSAR were concerned about the growing effects of SARS on the very fragile economy of the territory and, also, of reports that things were not all that well in The Land of The Free and The Home of The Brave.

The Ten Most Active counters of the Main Board were:

|   |  |
|---|--|
| HSBC Holdings plc (Code: 5)                           | Down 0.30 percent to \$HK83.00 per share |
| PetroChina Company Ltd (Code: 857)                    | Up 0.60 percent to \$HK1.68 per share    |
| CNOOC Ltd (Code: 883)                                 | Up 3.50 percent to \$HK10.35 per share   |
| Hutchison Whampoa Ltd (Code: 13)                      | Up 0.23 percent to \$HK42.70 per share   |
| Cheung Kong (Holdings) Ltd (Code: 1)                  | Up 0.24 percent to \$HK41.40 per share   |
| Sun Hung Kai Properties Ltd (Code: 16)                | Down 1.16 percent to \$HK34.10 per share |
| China Mobile (Hongkong) Ltd (Code: 941)               | Up 0.32 percent to \$HK15.50 per share   |
| Hang Seng Bank Ltd (Code: 11)                         | Down 0.65 percent to \$HK76.00 per share |
| Cathay Pacific Airways Ltd (Code: 293)                | Up 2.27 percent to \$HK9.00 per share    |
| Brilliance China Automotive Holdings Ltd (Code: 1114) | Down 3.95 percent to \$HK1.70 per share  |

The biggest movers of the Main Board included:

| Name of Company                                 | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|---|------|--------------|--------------|----------------------|
| A-Max Holdings Ltd                              | 959  | 85.29        |              | 0.063                |
| Artel Solutions Group Holdings Ltd              | 931  |              | 17.65        | 0.28                 |
| Chevalier Construction Holdings Ltd             | 579  |              | 13.33        | 0.052                |
| China Online (Bermuda) Ltd                      | 383  | 10.00        |              | 0.022                |
| CNT Group Ltd                                   | 701  |              | 11.11        | 0.08                 |
| Compass Pacific Holdings Ltd                    | 1188 |              | 11.39        | 0.35                 |
| Extrawell Pharmaceutical Holdings Ltd           | 858  |              | 10.11        | 0.16                 |
| First Natural Foods Holdings Ltd                | 1076 | 12.86        |              | 0.395                |
| Fulbond Holdings Ltd                            | 1041 |              | 13.04        | 0.02                 |
| Hanny Holdings Ltd                              | 2918 |              | 11.76        | 0.75                 |
| Hongkong Pharmaceutical Holdings Ltd            | 182  | 11.43        |              | 0.39                 |
| Hudson Holdings Ltd                             | 758  | 27.55        |              | 0.125                |
| Kiu Hung International Holdings Ltd             | 381  | 20.45        |              | 0.265                |
| Kong Sun Holdings Ltd                           | 295  |              | 12.00        | 0.022                |
| Kwong Hing International Holdings (Bermuda) Ltd | 2919 |              | 11.76        | 0.60                 |
| Lai Sun Development Company Ltd                 | 488  | 14.29        |              | 0.024                |
| Mansion Holdings Ltd                            | 547  |              | 11.11        | 0.016                |
| Mascotte Holdings Ltd                           | 136  |              | 10.00        | 0.18                 |
| Matsunichi Communication Holdings Ltd           | 283  | 18.03        |              | 0.36                 |
| MUI Hongkong Ltd                                | 542  |              | 11.11        | 0.08                 |
| Prosper eVision Ltd                             | 979  |              | 22.64        | 0.041                |
| Shanxi Central Pharmaceutical International Ltd | 327  | 24.00        |              | 0.031                |
| South East Group Ltd                            | 726  | 13.64        |              | 0.05                 |
| Sun East Technology (Holdings) Ltd              | 365  |              | 25.71        | 0.208                |
| Vision Century Corporation Ltd                  | 535  |              | 10.00        | 0.09                 |
| Y.T. Realty Group Ltd                           | 75   |              | 10.00        | 0.27                 |

Over on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, it was another lacklustre session, but the lone index did manage a fractional gain.

The Growth Enterprise Index ended the first day's trading of the week at 940.05 points, a gain of about 0.08 percent over the previous close of Thursday, April 17.

The Total Turnover on this speculative market was about \$HK78.05 million, with the ratio of losers to gainers, being 2.64:One – in spite of the fractional improvement of The GEM's Index.

On the day before the long weekend holiday, The Growth Enterprise Index had surrendered about 0.22 percent of its value.

The double-digit movers of the day included:

| Name of Company                   | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|-----------------------------------|------|--------------|--------------|----------------------|
| Armitage Technologies Holding Ltd | 8213 | 27.94        |              | 0.87                 |
| Cyber On-Air Group Company Ltd    | 8118 | 20.00        |              | 0.06                 |
| Goldigit Atom-Tech Holdings Ltd   | 8059 |              | 13.98        | 0.08                 |
| Grandmass Enterprise Solution Ltd | 8108 |              | 33.33        | 0.01                 |
| iSteelAsia.com Ltd                | 8080 |              | 17.24        | 0.024                |

In The Land of The Rising Sun, the premier stock market of the country continued to lose ground.

The Nikkei-225 Stock Average, the key index of The Tokyo Stock Exchange, lost 2.24 percent of its value, erasing the gains of the previous 2 trading sessions.

By the close of the day, the Nikkei-225 Stock Average stood at 7,790.46 yen, after dipping to 7,747.86 yen, intra-day.

#### News wise:

- **Sales at convenience stores** in Japan fell by about 3.10 percent in March, Year-on-Year, The Japan Franchise Association said;
- The Group Net Profit of **Hoya Corporation**, an optical and spectacle producer in Japan, fell by about 15.60 percent to 20.04 billion yen for the Financial Year, ended March 31, 2003, compared with the 2002 Financial Year;
- **Tokio Marine & Fire Insurance Company** is planning to take a 24.90-percent equity investment in the Shanghai-based company, Sino Life Insurance Company. The investment will cost about 15 billion yen; and,
- **Domestic demand** for mobile telephones fell by about 3 percent in 2002, Year-on-Year, to about 39.39 million units, a Tokyo-based research company reported.

In other Asian bourses, this was the way that things came to a halt, last Tuesday:

|                 |                                |
|-----------------|--------------------------------|
| Indonesia       | Minus 1.16 percent to 442.74   |
| Japan           | Minus 2.24 percent to 7,790.46 |
| Malaysia        | Minus 0.21 percent to 632.99   |
| The Philippines | Minus 0.72 percent to 1,117.12 |
| Singapore       | Plus 0.24 percent to 1,274.37  |
| South Korea     | Minus 2.82 percent to 603.32   |
| Taiwan          | Minus 1.98 percent to 4,556.10 |
| Thailand        | Minus 1.69 percent to 378.97   |

#### Wednesday

Kerbala, Iraq, became another name for school children to remember, as hundreds of thousands of Iraqi Muslim pilgrims flocked to the Holy City where, it is said, the tomb of Imam Hussein, a grandson of the Prophet Mohammad, rests.

Under the Government of President Saddam Hussein, only certain people were permitted to make the annual pilgrimage to Kerbala – and, then, only under the watchful glare of his armed henchmen.

As the flagellation continued apace and the jubilation of the predominantly Shi'ite Muslims rose from a murmur to a roar, it, also, indicated to the conquerors of this Arab country that the Shi'ite majority represented a very powerful force in the country.

It was very apparent that the US would not be able to rule, or cause the country to be ruled, in a manner acceptable to Washington, without tacit approval of the self-appointed leader of the Iraqi Shi'ites, Ayatollah Sayed Mohamad al-Hakim, or some other notable in the Muslim clerical hierarchy.

And, then, there was the ever-present threat that Iran, a fundamentalist Muslim country, whose border abutted that of Iraq, would stick in its oar in the affairs of the new Iraq.

As it was, it was known that Iranian agents were active in Iraq: The Iranian Government would like to have another Islamic fundamentalist state as its next-door neighbour.

Further to the east, the talks between North Korea, the US and representatives of the People's Republic of China (PRC) got off to a fairly decent start in Beijing, the Capital City of the PRC. (Please see Tuesday's report)

To emphasise the importance that the US Government put on the outcome of these talks, the US Assistant Secretary of State, Mr James Kelly, represented President George W. Bush.

It appeared, however, that North Korea was not too enamoured over the meeting since it sent in a third-rater to represent Chief of State, Mr Kim Yong Il, in the shape of a Mr Li Gun, who holds the title of Deputy Director General of North Korea's American Affairs Bureau.

With Mr Li Gun, having very little authority, if any – TARGET's assumption – it was unlikely that much would be accomplished at these talks.

The stage appeared to be set for a North Korean ploy because, if this reclusive country saw a chance of making material headway in the talks, it was likely that the political heavyweights would enter, Stage Left.

On Wall Street, last Tuesday, the blue-chip '*barometer*', the Dow Jones Industrial Average, climbed 156.09 points, equivalent to about 1.87 percent, running up to 8,484.09 points.

The NASDAQ's Composite Index ran with the bulls, so to speak, gaining 26.99 points, or about 1.89 percent, recovering to 1,451.36 points.

Some seemingly positive results for established, stock-market favourites were seen as the reason for the gains of last Tuesday.

Whether or not the market would hold onto its gains was anybody's guess, but logic seemed to dictate that it should start another retreat in short order.

In Europe, investors followed Wall Street and major bourses gained ground:

|                                     |                   |
|-------------------------------------|-------------------|
| Amsterdam's AEX Index               | Plus 1.40 percent |
| Great Britain's FTSE 100 Index      | Plus 1.25 percent |
| Germany's Frankfurt XETRA DAX Index | Plus 0.45 percent |
| France's CAC40 Index                | Plus 1.65 percent |
| Switzerland's Swiss Market Index    | Plus 1.23 percent |
| Italy's MIBTEL Index                | Plus 1.00 percent |

In Asia, red ink blotted the logs of many an equity market.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), SARS continued to worry the human population of 7 million, nearly all of whom are ethnically Chinese.

People were said to be fleeing the Capital City of Beijing as the PRC Authorities closed the schools in the area.

The SARS death toll continued to reach for higher levels, with 100 people, known to have succumbed to the disease, and who knows how many others, undiagnosed as having SARS, died in the depths of some little village or hamlet on the outskirts of Beijing.

After months of procrastination, the Government of Chief Executive Tung Chee Hwa of the HKSAR unleashed a \$HK1.50-billion financial relief package.

The package included tax rebates, lower rent for certain shops, owned by the Government in low-cost housing estates, and reduced water and sewage charges for industry.

While Chief Executive Tung Chee Hwa hates to take any kind of definitive action for fear of making mistakes, with the situation, deteriorating rapidly in his charge, he had little option but to do something.

The Government's Census and Statistics Department announced that deflation had deepened in March.

For the month of March, the Composite Consumer Price Index (CPI) fell by about 2.10 percent, Year-on-Year.

In February, the CPI was off by about 2 percent, Year-on-Year.

March's statistic represented the 53<sup>rd</sup> consecutive month of deflation.

On The Stock Exchange of Hongkong Ltd, both equity markets retreated.

The Main Board's Hang Seng Index lost 0.61 percent, falling to 8,519.60 points, while, on The Growth Enterprise Market (The GEM), its Growth Enterprise Index shed about 1.97 percent, falling back to 921.55 points.

The Total Turnover on the Main Board was about \$HK8.09 billion, while, on The GEM, the Total Turnover was about \$HK82.08 million.

The Main Board's ratio of losers to gainers was 2.74:One.

The Main Board's Ten Most Actives were:

|   |  |
|---|--|
| HSBC Holdings plc (Code: 5)               | Up 0.90 percent to \$HK83.75 per share   |
| China Mobile (Hongkong) Ltd (Code: 941)   | Down 1.94 percent to \$HK15.20 per share |
| Hutchison Whampoa Ltd (Code: 13)          | Down 1.41 percent to \$HK42.10 per share |
| PetroChina Company Ltd (Code: 857)        | Down 0.60 percent to \$HK1.67 per share  |
| Sun Hung Kai Properties Ltd (Code: 16)    | Down 0.59 percent to \$HK33.90 per share |
| Cheung Kong (Holdings) Ltd (Code: 1)      | Down 1.69 percent to \$HK40.70 per share |
| CNOOC Ltd (Code: 883)                     | Down 2.90 percent to \$HK10.05 per share |
| Cathay Pacific Airways Ltd (Code: 293)    | Down 1.67 percent to \$HK8.85 per share  |
| Hang Seng Bank Ltd (Code: 11)             | Up 0.33 percent to \$HK76.25 per share   |
| Johnson Electric Holdings Ltd (Code: 197) | Down 5.52 percent to \$HK7.70 per share  |

As for the biggest movers of the day, they included:

| Name of Company                                     | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|---|------|--------------|--------------|----------------------|
| Artel Solutions Group Holdings Ltd                  | 931  |              | 18.21        | 0.229                |
| CEC International Holdings Ltd                      | 759  | 10.00        |              | 0.11                 |
| Chengdu PUTIAN Telecommunications Cable Company Ltd | 1202 |              | 10.67        | 0.67                 |
| Cheung Tai Hong Holdings Ltd                        | 2931 |              | 16.67        | 0.25                 |
| China Aerospace International Holdings Ltd          | 31   |              | 11.60        | 0.221                |
| China Investments Holdings Ltd                      | 132  | 11.54        |              | 0.29                 |

|   |      |       |       |       |
|---|------|-------|-------|-------|
| CNT Group Ltd                           | 701  | 12.50 |       | 0.09  |
| Dong Fang Gas Holdings Ltd              | 432  | 15.38 |       | 0.30  |
| Fulbond Holdings Ltd                    | 1041 | 15.00 |       | 0.023 |
| Guangdong Tannery Ltd                   | 1058 |       | 15.00 | 0.17  |
| Hanny Holdings Ltd                      | 275  |       | 10.98 | 0.73  |
| Innovative International (Holdings) Ltd | 729  |       | 14.29 | 0.012 |
| Kamboat Group Company Ltd               | 318  |       | 15.38 | 0.33  |
| Kiu Hung International Holdings Ltd     | 381  |       | 15.09 | 0.225 |
| Lai Sun Development Company Ltd         | 488  |       | 25.00 | 0.018 |
| Mansion Holdings Ltd                    | 547  | 31.25 |       | 0.021 |
| Mei Ah Entertainment Group Ltd          | 391  | 14.78 |       | 0.132 |
| Ming Fung Jewellery Group Ltd           | 860  |       | 10.00 | 0.135 |
| Shenzhen International Holdings Ltd     | 152  |       | 11.68 | 0.174 |
| Simson International Corporation Ltd    | 993  | 17.57 |       | 0.087 |
| Skyworth Digital Holdings Ltd           | 751  |       | 10.14 | 0.62  |
| Star East Holdings Ltd                  | 198  | 13.33 |       | 0.034 |
| TechCap Holdings Ltd                    | 673  |       | 10.43 | 1.03  |
| Universal Holdings Ltd                  | 419  | 10.34 |       | 0.032 |
| Victory Group Ltd                       | 1139 | 14.71 |       | 0.039 |
| Vision Century Corporation Ltd          | 535  | 10.00 |       | 0.099 |
| Zhejiang Glass Company Ltd              | 739  |       | 13.04 | 1.00  |

On The GEM, the ratio of declining counters to advancing ones was 3.64:One, while the double-digit movers included:

| Name of Company  | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|--|------|--------------|--------------|----------------------|
| Cyber On-Air Group Company Ltd                           | 8118 | 16.67        |              | 0.07                 |
| Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Company Ltd | 8231 |              | 11.11        | 0.40                 |
| Grandmass Enterprise Solution Ltd                        | 8108 | 20.00        |              | 0.012                |
| New Chinese Medicine Holdings Ltd                        | 8085 |              | 11.11        | 0.04                 |
| Town Health International Holdings Company Ltd           | 8138 |              | 14.29        | 0.042                |
| Zheda Lande Scitech Ltd                                  | 8106 | 13.33        |              | 0.34                 |

In Japan, after taking a drubbing on Tuesday, the 3 equity markets of the country managed to hold their respective positions ... but only just, mind you.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average gained 2.92 yen, equivalent to about 0.04 percent, ending the day at 7,793.38 yen.

Trading was down by about 17 percent, compared with Tuesday's volume of activity, while the ratio of losers to gainers was 1.29:One.

In Japan, this is the time of year that companies tell their shareholders how they performed in the past Financial Year/half Year/quarter Year/what-have-you.

Japanese banks continued to be pounded, however, since it is a foregone conclusion that not one of them will be able to spread any joy to their loyal shareholders.

News wise:

- Machine tool producer, **Toyoda Machine Works Ltd**, announced that it would be building a plant in the Czech Republic at a cost of about 3.20 billion yen. The plant will be used to manufacture motor-car transmissions. It is due to be up and running by October 2004. Toyoda is owned as to 24.90 percent by **Toyota Motor Corporation**;

- **Seibu Department Stores Ltd** is planning to sack 250, full-time workers, representing about 7 percent of the company's total workforce; and,
- **Seiyu Ltd** announced that it had posted a Group Net Loss of about 90.84 billion yen for its Financial Year, ended February 28, 2003. Seiyu, another departmental store and supermarket chain, is owned as to 37.80 percent by **Wal-Mart Stores Incorporated** of the US.

In other parts of Asia, this was how things came to a head, last Wednesday:

|                 |                                |
|-----------------|--------------------------------|
| Indonesia       | Plus 1.12 percent to 447.69    |
| Japan           | Plus 0.04 percent to 7,793.38  |
| Malaysia        | Minus 0.53 percent to 629.62   |
| The Philippines | Minus 2.98 percent to 1,083.88 |
| Singapore       | Minus 0.65 percent to 1,266.08 |
| South Korea     | Minus 0.87 percent to 598.09   |
| Taiwan          | Plus 0.19 percent to 4,564.93  |
| Thailand        | Minus 0.94 percent to 375.39   |

### Thursday

While it appeared that many US investors were mildly bullish about the near-term prospects for stocks and shares, listed on US equity markets, in Asia, investors took an exactly opposite view for equities, listed on major markets in the most populous part of the world: Gloom! Gloom! Gloom!

All but one of Asia's major equity markets saw their indices head south, last Thursday.

This was in stark contrast to US bourses, most of whose indices headed for higher ground, last Wednesday.

On Wall Street, NASDAQ's Composite Index hit a near 5-month high of 1,466.16 points, the closing numbers, being a gain of a little more than one percent, compared with Tuesday's close.

On The New York Stock Exchange, the Dow Jones Industrial Average advanced about 0.36 percent to 8,515.66 points.

A softening of oil prices and hopes for better corporate earnings were the principle reasons for the gains of last Wednesday on the largest equity markets in the world.

In respect of oil prices, Light Sweet Crude futures for June delivery lost about \$US1.34 per barrel, slipping back to \$US26.65 per barrel.

This level had not been seen for the previous 5 months.

A build-up of oil imports, as registered on The New York Mercantile Exchange (NYMEX), was responsible for the decline in oil prices.

But while investors appeared to be smiling at what appeared, on the surface, to be better days ahead, from the US Federal Reserve Board came news that the US economy was, still, stalled.

The Iraqi war had dampened down US consumer spending, more than had been, previously, expected, while industry leaders tucked in their shirts and tightened belts another notch or so.

In Iraq, the Shi'ites were winding up their pilgrimage to Kerbala, with many of them, chanting slogans of denunciation of the US-led invasion (known in the parlance of the Americans as '*liberation*') of the country.



The Iraqis were flexing their newly won right to free assembly, freedom to worship the God of their choice and, of course, the right of free speech – and that was good enough for the US Government.

In Europe, however, things were not bullish, at all.

Leading shares on The London Stock Exchange came under heavy selling pressure, once again, as international concern heightened with regard to Severe Acute Respiratory Syndrome (SARS) as more incidents of the disease were unearthed.

And, when it became known that job losses in the US had hit another peak, that was enough for most European investors, who started to sell scrip for fear that there would be more corporate and investor ‘blood’, spilled on trading floors in Europe.

Here is the tally for some of the leading bourses in Europe, last Thursday:

|                                     |                     |
|-------------------------------------|---------------------|
| Amsterdam’s AEX Index               | Minus 3.14 percent* |
| Great Britain’s FTSE 100 Index      | Minus 1.70 percent  |
| Germany’s Frankfurt XETRA DAX Index | Minus 2.51 percent  |
| France’s CAC40 Index                | Minus 2.01 percent  |
| Switzerland’s Swiss Market Index    | Minus 1.48 percent  |
| Italy’s MIBTEL Index                | Minus 0.54 percent  |

\* The biggest European loser for the day

In the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), things were deteriorating at a very fast clip.

To investors of the HKSAR, it mattered little what was taking place in the US, or anywhere else for that matter – because parochial concerns were over-riding all else.

SARS had carved a swath through the economy of the 416 square miles; one company after another was reporting dire straits.

Tourism was down to a trickle; airlines were losing huge amounts of money, on a daily basis.

On The Stock Exchange of Hongkong Ltd, the Main Board’s Hang Seng Index shed 0.91 percent, falling to 8,442.11 points.

The Total Turnover was about \$HK8.62 billion, while the ratio of losers to gainers was 2.98:One.

The Ten Most Actives were:

|  |  |
|--|--|
| HSBC Holdings plc (Code: 5)                          | Down 1.19 percent to \$HK82.75 per share |
| PetroChina Company Ltd (Code: 857)                   | Up 1.00 percent to \$HK1.62 per share    |
| China Mobile (Hongkong) Ltd (Code: 941)              | Down 2.30 percent to \$HK14.85 per share |
| Hutchison Whampoa Ltd (Code: 13)                     | Down 0.95 percent to \$HK41.70 per share |
| Huaneng Power International Incorporated (Code: 902) | Down 0.45 percent to \$HK6.65 per share  |
| Cheung Kong (Holdings) Ltd (Code: 1)                 | Down 0.49 percent to \$HK40.50 per share |
| CITIC Pacific Ltd (Code: 267)                        | Down 2.97 percent to \$HK14.70 per share |
| COSCO Pacific Ltd (Code: 1199)                       | Down 1.50 percent to \$HK6.55 per share  |
| Cathay Pacific Airways Ltd (Code: 293)               | Down 3.95 percent to \$HK8.50 per share  |
| Hang Seng Bank Ltd (Code: 11)                        | Down 0.33 percent to \$HK76.00 per share |

The double-digit movers of the day were:

| Name of Company                                 | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|---|------|--------------|--------------|----------------------|
| China Development Corporation Ltd               | 487  |              | 15.38        | 0.011                |
| China Everbright Ltd                            | 165  |              | 11.54        | 1.61                 |
| China Everbright Technology Ltd                 | 256  |              | 11.54        | 0.23                 |
| Chuang's China Investments Ltd                  | 298  |              | 33.33        | 0.12                 |
| CNT Group Ltd                                   | 701  |              | 11.11        | 0.08                 |
| First Natural Foods Holdings Ltd                | 1076 |              | 10.39        | 0.345                |
| Guangdong Tannery Ltd                           | 1058 |              | 29.41        | 0.12                 |
| Haier-CCT Holdings Ltd                          | 1169 |              | 13.58        | 0.229                |
| Hanny Holdings Ltd                              | 275  |              | 19.18        | 0.59                 |
| Haywood Investments Ltd                         | 905  | 10.77        |              | 0.072                |
| Heng Fung Holdings Ltd                          | 185  | 33.33        |              | 0.06                 |
| Hongkong Construction (Holdings) Ltd            | 190  |              | 11.76        | 0.30                 |
| Kerry Properties Ltd                            | 683  | 40.00        |              | 8.40                 |
| Kiu Hung International Holdings Ltd             | 381  | 11.11        |              | 0.25                 |
| Mansion Holdings Ltd                            | 547  |              | 14.29        | 0.018                |
| MUI Hongkong Ltd                                | 542  | 17.50        |              | 0.094                |
| Natural Beauty Bio-Technology Ltd               | 157  |              | 10.19        | 0.485                |
| New Ocean Green Energy Holdings Ltd             | 342  |              | 12.05        | 0.073                |
| Paladin Ltd                                     | 495  |              | 19.64        | 0.045                |
| Shanxi Central Pharmaceutical International Ltd | 327  |              | 11.76        | 0.03                 |
| Solartech International Holdings Ltd            | 1166 |              | 13.04        | 0.14                 |
| South East Group Ltd                            | 726  |              | 10.00        | 0.045                |
| Sun East Technology (Holdings) Ltd              | 365  |              | 38.46        | 0.12                 |
| Texwinca Holdings Ltd                           | 321  |              | 12.07        | 5.10                 |
| Tse Sui Luen Jewellery (International) Ltd      | 417  |              | 19.75        | 0.065                |
| U-Cyber Technology Holdings Ltd                 | 91   |              | 10.19        | 0.194                |
| Vantage International (Holdings) Ltd            | 15   |              | 59.33        | 0.244                |
| Wah Tak Fung Holdings Ltd                       | 297  | 10.42        |              | 0.053                |
| World Houseware (Holdings) Ltd                  | 713  |              | 15.15        | 0.28                 |
| Yunnan Enterprises Holdings Ltd                 | 455  |              | 10.23        | 0.395                |

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, blood stained the trading floor as The Growth Enterprise Index surrendered about 2.19 percent of its value, falling to 901.36 points.

The Total Turnover on this market was about \$HK65.89 million, with losing counters, outrunning gaining ones by the ratio of 1.91:One.

There were some major losers on this speculative market, with Mr Li Ka Shing's 2 listings, tom.com Ltd (Code: 8001) and CK Life Sciences International (Holdings) Incorporated (Code: 8222), being just a couple of the big-time losers.

The share price of tom.com fell to \$HK1.59 (down about 5 percent on the day), while CK Life Sciences gave up about 4 percent of its market capitalisation, as investors pushed down its share price to \$HK1.18.

But the losses in respect of Mr Li Ka Shing's listings were only the tip of the proverbial iceberg, so to speak, as other counters lost even more.

The double-digit movers of the day included:

| Name of Company                                | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|--|------|--------------|--------------|----------------------|
| Cyber On-Air Group Company Ltd                 | 8118 | 14.29        |              | 0.08                 |
| Lai Fai International Holdings Ltd             | 8183 | 10.65        |              | 0.80                 |
| Rojam Entertainment Holdings Ltd               | 8075 |              | 10.00        | 0.09                 |
| Town Health International Holdings Company Ltd | 8138 | 23.81        |              | 0.052                |

### News wise:

- **Cathay Pacific Airways Ltd (Code: 293)** and its parent company, **Swire Pacific Ltd (Code: 19)**, announced that they would be holding Board of Directors' Meetings on May 5, 2003 in order to reconsider whether or not to pay dividends to shareholders of both companies, in spite of an earlier recommendation so to do. This is an unprecedented move and is predicated by the continuing expansion of the SARS outbreak, which is draining the companies of their cash.

In Japan, taking their cue from Wall Street, investors continued to support share prices on the country's 3 equity markets.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average gained about 0.79 percent, recovering to 7,854.57 yen.

While the Nikkei-225 Stock Average was in positive territory, the ratio of losers to gainers told a different story: Declining counters outnumbered advancing ones by the ratio of 1.12:One.

### News wise:

- **Nissan Motor Company** announced a Group Operating Profit of about 737 billion yen for its Financial Year, ended March 31, 2003. This is an improvement of about 50.70 percent, Year-on-Year;
- **Daihatsu Motor Company** said its Consolidated Net Profit for its 2002 Financial Year, ended March 31, 2003, was about 14.78 billion yen, up about 58.70 percent, compared with the previous Financial Year;
- **Hino Motors Ltd**, an affiliate of **Toyota Motor Corporation**, announced that it would be dissolving its subsidiary in Thailand by the end of March 2004; and,
- **Japan's trade surplus** rose 36.60 percent in Fiscal 2002, Year-on-Year, The Finance Ministry announced. This is the first time in 4 years that there has been such an increase.

In other Asian bourses, this was how they fared, last Thursday:

|                 |                                |
|-----------------|--------------------------------|
| Indonesia       | Minus 0.57 percent to 445.15   |
| Japan           | Plus 0.79 percent to 7,854.57  |
| Malaysia        | Minus 0.79 percent to 624.66   |
| The Philippines | Minus 1.24 percent to 1,070.45 |
| Singapore       | Minus 1.82 percent to 1,243.01 |
| South Korea     | Minus 1.63 percent to 588.35   |
| Taiwan          | Minus 4.16 percent to 4,374.94 |
| Thailand        | Minus 1.51 percent to 369.71   |

### Friday

As though the world had not enough on its plate, it was declared, last Friday in Asia, that the trilateral talks with regard to North Korea had broken down, broken up ... somebody had walked off the job. (Please see the Tuesday and Wednesday report on North Korea)

The talks ended with North Korea's delegate, Mr Li Gun, telling the US Assistant Secretary of State, Mr James Kelly, that the Communist country had the bomb.

In Washington, Mr Kelly's boss, Mr Colin Luther Powell, commented that the US Government would be continuing to look for ways '*to eliminate*' the North Korean nuclear threat.

Secretary of State Powell said:

*'They (the North Koreans) should not leave the meetings in Beijing now that they have come to a conclusion ... with the slightest impression that the United States and its partners ... will be intimidated by bellicose statements or by threats or actions they think might get them more attention or might force us (the US) to make a concession that we would not otherwise make...They would be very ill-advised to move in that direction'.*

It is well accepted that North Korea is not averse to using its declared nuclear arsenal of weapons on whomsoever it determines is worthy of them if it feels threatened.

And any military action by the Regime of Kim Jong Il would be a pre-emptive one: It would not wait for a US-led military coalition force to build up before striking the first blow.

The news of the breakdown of the talks sent shivers throughout Asia: Stock market indices fell in quick succession.

On Wall Street, last Thursday, North Korea was not an issue – because there were plenty of negative news items to fill investors with consternation.

On The New York Stock Exchange, the Dow Jones Industrial Average gave up about 0.89 percent of its value, falling back to 8,440.04 points.

Over on the NASDAQ, its Composite Index shed 8.93 points, or about 0.61 percent, ending the day at 1,457.23 points.

US investors were treated to the news that unemployment in the world's largest economy was expanding, not contracting.

Put another way, US industry was contracting, not expanding.

For week, ended April 19, Initial Claims for Unemployment Insurance hit 455,000 Claims, which is an increase of 8,000 Claims, Week-on-Week.

Not good. Not good, at all!

From DaimlerChrysler, the world's fifth largest manufacturer of motor cars, it was announced that the outlook for the remainder of the year was not good.

Not good, at all!

Europe felt the cold wind blow across the Atlantic, snuffing out any last-minute chance of a run for the gold.

In fact, only 4 stock markets out of the major, 23 European stock markets managed to stay in the black by the close of the day.

Investors in Europe had heard the news in respect of US unemployment, scotching any possibility of an end run on equity markets.

That news, coupled with the breakdown of the North Korean talks in Beijing, the Capital City of the PRC, and it was good night to all and every one.

The big 6 equity markets of Europe, ended the week, thusly:

|                                     |                    |
|-------------------------------------|--------------------|
| Amsterdam's AEX Index               | Minus 1.50 percent |
| Great Britain's FTSE 100 Index      | Minus 0.74 percent |
| Germany's Frankfurt XETRA DAX Index | Minus 1.85 percent |
| France's CAC40 Index                | Minus 1.25 percent |
| Switzerland's Swiss Market Index    | Minus 0.96 percent |
| Italy's MIBTEL Index                | Minus 1.52 percent |

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), investors continued to shudder and shake as even more cases of SARS were reported.

And that was in addition to fears that North Korea might well consider beating the US to the punch if push came to shove.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index lost about 0.39 percent of its value, falling to 8,409.01 points.

The Total Turnover was about \$HK8.19 billion, with the ratio of losers to gainers, being 1.55:One.

The Ten Most Actives were:

|   |  |
|---|--|
| HSBC Holdings plc (Code: 5)               | Down 1.21 percent to \$HK81.75 per share |
| Hutchison Whampoa Ltd (Code: 13)          | Unchanged at \$HK41.70 per share         |
| PetroChina Company Ltd (Code: 857)        | Up 1.85 percent to \$HK1.65 per share    |
| Cheung Kong (Holdings) Ltd (Code: 1)      | Up 1.48 percent to \$HK41.10 per share   |
| Sun Hung Kai Properties Ltd (Code: 16)    | Up 2.35 percent to \$HK34.90 per share   |
| Hang Seng Bank Ltd (Code: 11)             | Down 0.66 percent to \$HK75.50 per share |
| China Mobile (Hongkong) Ltd (Code: 941)   | Unchanged at \$HK14.85 per share         |
| CITIC Pacific Ltd (Code: 267)             | Up 0.68 percent to \$HK14.80 per share   |
| Swire Pacific Ltd "A" Shares (Code: 19)   | Down 1.23 percent to \$HK28.10 per share |
| China Telecom Corporation Ltd (Code: 728) | Up 4.20 percent to \$HK1.49 per share    |

The biggest movers of the day, however, were reserved for the following counters:

| Name of Company                                 | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|---|------|--------------|--------------|----------------------|
| A-Max Holdings Ltd                              | 959  |              | 13.79        | 0.05                 |
| Alpha General (Holdings) Ltd                    | 73   |              | 10.05        | 0.17                 |
| Applied International Holdings Ltd              | 519  |              | 11.11        | 0.08                 |
| China Eagle Group Company Ltd                   | 493  |              | 11.43        | 0.31                 |
| China Fair Land Holdings Ltd                    | 169  | 11.32        |              | 0.295                |
| Chuang's China Investments Ltd                  | 298  | 13.33        |              | 0.136                |
| Dan Form Holdings Company Ltd                   | 271  |              | 23.66        | 0.10                 |
| Dickson Group Holdings Ltd                      | 313  |              | 23.08        | 0.04                 |
| e-Kong Group Ltd                                | 524  |              | 12.09        | 0.08                 |
| Gay Giano International Group Ltd               | 686  |              | 36.46        | 0.061                |
| Jackley Holdings Ltd                            | 353  | 11.05        |              | 0.201                |
| Kamboat Group Company Ltd                       | 318  | 10.45        |              | 0.37                 |
| Lippo China Resources Ltd                       | 156  | 12.50        |              | 0.063                |
| Neo-Tech Global Ltd                             | 563  |              | 13.11        | 0.053                |
| Shanxi Central Pharmaceutical International Ltd | 327  | 10.00        |              | 0.033                |
| Starbow Holdings Ltd                            | 397  | 15.38        |              | 0.015                |
| Sun East Technology (Holdings) Ltd              | 365  | 12.50        |              | 0.135                |
| Tomorrow International Holdings Ltd             | 760  | 10.17        |              | 0.065                |
| Vantage International (Holdings) Ltd            | 15   |              | 24.59        | 0.184                |
| Wonson International Holdings Ltd               | 651  |              | 33.33        | 0.02                 |

On The Growth Enterprise Market (The GEM), trading was very light, with the Total Turnover reaching just \$HK51.80 million.

The Growth Enterprise Index gained 0.73 percent, rising to 907.94 points, with declining issues, outnumbering advancing ones by the ratio of 1.32:One.

The double-digit movers on this speculative marketplace were:

| Name of Company                             | Code | Increase (%) | Decrease (%) | Closing Price (\$HK) |
|---|------|--------------|--------------|----------------------|
| Argos Enterprise (Holdings) Ltd             | 8022 | 20.00        |              | 0.156                |
| Fortune Telecom Holdings Ltd                | 8040 |              | 17.02        | 0.39                 |
| Inworld Group Ltd                           | 8100 |              | 13.46        | 0.045                |
| LOULAN Holdings Ltd                         | 8039 |              | 11.39        | 0.35                 |
| Milkyway Image Holdings Ltd                 | 8130 |              | 16.67        | 0.10                 |
| PINE Technology Holdings Ltd                | 8013 |              | 34.62        | 0.051                |
| ProSticks International Holdings Ltd        | 8055 |              | 12.90        | 0.027                |
| Shanghai Fudan Microelectronics Company Ltd | 8102 | 11.11        |              | 0.60                 |

For the 4-day week, therefore, the tally was:

The Hang Seng Index                      Down 1.90 percent  
The Growth Enterprise Index       Down 3.42 percent

In Japan, investors saw their premier stock market's key index fall to another 20-year low.

On The Tokyo Stock Exchange, the Nikkei-225 Stock Average drooped 1.97 percent, ending the week at 7,699.50 yen – which is its lowest level since November 1982.

Sony Corporation, the world's largest producer of consumer electronics, saw investors line up to unload its scrip as soon as buyers could be located: Sony's share price fell daily limit (500 yen) to 3,220 yen per share.

That was a 7-year low for this electronics giant and a 13-percent fall, compared with Thursday's closing level. (Please see below, under: [News wise](#))

Aside from Sony, banks continued to be pounded, with many of their number, hitting fresh historic lows.

The ratio of losers to gainers was 2.13:One.

News wise:

- **Sony Corporation** announced that its Group Net Profit for Fiscal 2002 was 115.52 billion yen, up by about 750 percent, Year-on-Year. The company, also, announced that it had suffered large losses in the last quarter of the 2002 Financial Year. For the Current Financial Year, the company is forecasting a Net Profit of about 50 billion, down by about 57 percent, Year-on-Year;
- Stockbroker **Matsui Securities Company** announced a Group Net Profit of 1.49 billion yen for its Financial Year, ended March 31, 2003. That result represents a fall of about 20.60 percent, Year-on-Year;
- **Mitsubishi Motors Corporation** posted an estimated Group Net Profit for its Financial Year, ended March 31, 2002, of about 38 billion yen. If it has achieved that figure, it would represent a 400-percent increase, compared with the previous Year;
- **Nissan Diesel Motor Company** said that it had revised its Group Earnings for Fiscal 2002 and, now, expects to have suffered a Loss Attributable to Shareholders of about 3.30 billion yen. In November 2002, this manufacturer of lorries and buses, a unit of **Nissan Motor Company**, forecast a Loss Attributable to Shareholders of about 4 billion yen; and,
- **NEC Corporation** announced that it had suffered a Loss Attributable to Shareholders in its 2002 Financial Year, amounting to about 24.56 billion yen. In the 2001 Year, this electronics manufacturer lost about 312 billion yen.

The tally for Asia's largest equity market for the 4 days of last week was:

The Nikkei-225 Stock Average                      Down 2.80 percent

And, in other parts of Asia, this was how those markets ended the week of April 25, 2003:

|                 |                                |
|-----------------|--------------------------------|
| Indonesia       | Minus 2.27 percent to 435.04   |
| Japan           | Minus 1.97 percent to 7,699.50 |
| Malaysia        | Plus 0.49 percent to 627.73    |
| The Philippines | Minus 1.97 percent to 1,049.39 |
| Singapore       | Minus 1.12 percent to 1,229.14 |
| South Korea     | Minus 3.69 percent to 566.63   |
| Taiwan          | Minus 3.23 percent to 4,233.54 |
| Thailand        | Minus 0.32 percent to 368.53   |

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