

**THE NORTH KOREAN NUCLEAR THREAT AND HONGKONG'S POLITICAL  
CRISES DOMINATE TRADING ON ASIAN EQUITY MARKETS**

Telephone lines were buzzing, during the weekend of July 12-13, following a report that North Korea was stepping up its nuclear programme, giving it the potential to manufacture, what was described as, *'several atom bombs.'*

Australian Prime Minister John Howard went on record, saying that North Korea was a rogue state and *'clearly in breach of international obligations.'*

He went on to say:

*'We're dealing with a country that is not operating, as it were, within the square. This is a very dangerous situation.'*

Following the loss of face that the US has suffered, internationally, in not being able to locate the promised weapons of mass destruction in Iraq, the world's only superpower was not about to make definitive statements without extremely good intelligence about the North Korea situation.

Once bitten, twice shy, as the saying goes.

Japanese media reports, however, quoted US intelligence as saying that air samples, taken near North Korea's nuclear facilities, indicated the presence of Krypton 85, a by-product of reprocessing nuclear fuel rods.

Over the weekend of July 12-13, things had been relatively quiet, internationally, relative that is, compared with the previous weekend when some half a million people marched through the streets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), protesting about the Government of Chief Executive Tung Chee Hwa.

In Europe, last Monday, after a quiet opening, on learning that a few US financial institutions had improved their lot in the second quarter of the year, with some of the high-powered executives of these institutions, stating that things would continue to improve as the year wore on, investors of eurozone took heart.

Up went indices of major bourses:

Amsterdam's AEX Index	Plus	1.93 percent
Great Britain's FTSE 100 Index	Plus	1.71 percent
Germany's Frankfurt XETRA DAX Index	Plus	2.09 percent
France's CAC40 Index	Plus	1.66 percent
Switzerland's Swiss Market Index	Plus	1.39 percent
Italy's MIBTEL Index	Plus	0.88 percent

Asia was upbeat about the prospects for the week, with indices of major equity markets in the most-populous part of the world, rising smartly, led by the 2 stock markets of the HKSAR.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index, the key index of this market, rose by about 2.13 percent, hitting 10,122.40 points by the close of trading.

The Total Turnover was about \$HK10.89 billion, with gaining counters, swamping losing ones by the ratio of 4.62:One.

The Ten Most Actives were:

Sun Hung Kai Properties Ltd (Code: 16)	Up 3.49 percent to \$HK44.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 3.99 percent to \$HK20.85 per share
Hutchison Whampoa Ltd (Code: 13)	Up 3.57 percent to \$HK50.75 per share
HSBC Holdings plc (Code: 5)	Up 1.07 percent to \$HK94.75 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 2.55 percent to \$HK50.25 per share

PetroChina Company Ltd (Code: 857)	Up 1.12 percent to \$HK2.25 per share
Huaneng Power International Incorporated (Code: 902)	Up 8.21 percent to \$HK11.20 per share
CNOOC Ltd (Code: 883)	Up 4.68 percent to \$HK12.30 per share
China Telecom Corporation Ltd (Code: 728)	Up 0.51 percent to \$HK1.97 per share
Maanshan Iron and Steel Company Ltd (Code: 323)	Up 4.17 percent to \$HK1.75 per share

As for the double-digit movers of the day, there were 51 of that species, with only 2 of their number, seeing their share prices, falling by 10 percent or more: The other 49, double-digit movers saw their share prices move up 10 percent or more.

SUNDAY Communications Ltd (Code: 866), for the first time, saw its share price, being the biggest mover of the day, as investors pushed it to 31 cents, up 37.78 percent on the day.

South China Holdings Ltd (Code: 265), the publisher of one of the 2, English-language newspapers of the territory, saw its share price dragged down by 13.58 percent to 14 cents.

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover rose to about \$HK304.28 million, with gaining counters, outnumbered losing ones by the ratio of 2.10:One.

The Growth Enterprise Index rose by about 1.83 percent to 1,185.76 points.

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

tom.com Ltd (Code: 8001)	Up 2 percent to \$HK2.375 per share
hongkong.com Corporation (Code: 8006)	Up 6 percent to 95 cents per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Up 1 percent to \$HK1.73 per share
SUNeVision Holdings Ltd (Code: 8008)	Down 5 percent to \$HK1.93 per share
Innovis Holdings Ltd (Code: 8065)	Up 5 percent to 42.50 cents per share

As for the GEM's double-digit movers, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AKuP International Holdings Ltd	8179	11.43		0.039
Changchun Da Xing Pharmaceutical Company Ltd	8067	25.00		0.35
First Mobile Group Holdings Ltd	8110	13.70		0.249
Grandy Applied Environmental Technology Corporation	8143	17.24		0.034
Greencool Technology Holdings Ltd	8056	15.87		0.73
Henderson Cyber Ltd	8023	14.00		0.285
Kinetana International Biotech Pharma Ltd	8031	23.08		0.08
Linefan Technology Holdings Ltd	8166	16.00		0.029
Medical China Ltd	8186	14.29		0.08
Neolink Cyber Technology (Holdings) Ltd	8116		13.95	0.074
New Universe International Group Ltd	8068	17.78		0.053
Prosten Technology Holdings Ltd	8026		19.35	0.10
ProSticks International Holdings Ltd	8055	20.00		0.018
Q9 Technology Holdings Ltd	8129	11.11		0.05
Rojam Entertainment Holdings Ltd	8075	11.11		0.11
Satellite Devices Corporation	8172		11.11	0.048
Systek Information Technology (Holdings) Ltd	8103	26.32		0.024
Timeless Software Ltd	8028	10.26		0.172
WorldMetal Holdings Ltd	8161	11.11		0.10
Xteam Software International Ltd	8178	15.83		0.161

Asia, last Monday, had been influenced by Wall Street's close of the previous Friday, at which time, indices of major markets bounced back.

The Dow Jones Industrial Average, the key index of The New York Stock Exchange, had gained 83.55 points, or about 0.92 percent, ending the week of July 11 at 9,119.59 points.

The tech-laden NASDAQ, also, finished that week, strongly, with its Composite Index, putting on 18.07 points, equivalent to about 1.04 percent, running back to 1,733.93 points.

Whether or not it had been rational for the largest stock markets in the world to make such gains, in view of the clear, abject weakness of the economy of the US, and in view of that which was going on in the world's only superpower, it was wide open to speculation.

However, few people were complaining about the rises on Wall Street, especially Asia.

Usually, when there is a rally in Asia, Japan leads the way.

Not so last Monday, however, because trading on Asia's largest bourse, The Tokyo Stock Exchange, was relatively restrained.

By the close of the day, the Nikkei-225 Stock Average, the '*barometer*' of trading on The Tokyo Stock Exchange, stood at 9,755.63 yen, up by about 120.28 yen, or about 1.25 percent.

The gains of last Monday were in stark contrast to the previous Friday's trading day when the Nikkei-225 Stock Average had shed about 3.22 percent of its value, to mark the biggest, one-day loss for the year.

It appeared that investors on this bourse were looking for intra-day profits, only, and were buying on the dips.

An ominous precursor of things to come, perhaps?

In other Asian markets, this was the way that things came to a halt, last Monday night:

HKSAR	Plus 2.13 percent to 10,122.40
Indonesia	Plus 1.96 percent to 534.96
Japan	Plus 1.25 percent to 9,755.63
Malaysia	Plus 0.44 percent to 727.11
The Philippines	Minus 1.14 percent to 1,256.33
Singapore	Plus 1.92 percent to 1,574.46
South Korea	Plus 2.27 percent to 720.10
Taiwan	Plus 2.10 percent to 5,349.94
Thailand	Closed

## **Tuesday**

The Government of the People's Republic of China (PRC) started talks with the Government of North Korea with a view to cooling down the potentially explosive situation. (Please see Monday's report)

The US Government stated that it was not, exactly, certain as to what was happening in Pyongyang, but it would continue to hold a watching brief on the rogue, Communist State.

On Wall Street, last Monday, there was a half-hearted rally, following officials, playing crucial roles in a couple of financial powerhouses, making conciliatory statements about the economic prospects for the remainder of the year.

These senior officials, also, said that things looked better for the second quarter.

What they did not say, however, was that the baseline of these institutions had been moved down more than a couple of million points, following a disastrous 2002-year.

On The New York Stock Exchange, the Dow Jones Industrial Average ended up 57.56 points, or about 0.64 percent, running to 9,177.15 points.

As for the NASDAQ, it did a little better, with its Composite Index, extending its gains by 20.91 points, or about 1.21 percent, ending the day at 1,754.84 points.

Dr Alan Greenspan, the world's Number One financial guru as well as being the Chairman of the US Federal Reserve Board, was due to make a report to The House Financial Services Committee, last Tuesday, and so, many people, last Monday, were keeping their powder dry, so to speak, awaiting the word from the Good Doctor.

Dr Greenspan was expected to correlate economic and financial facets of the largest single economy of the world when he made his semi-annual statements to The House Financial Services Committee and, then, testify before the US Senate Banking Committee.

Noting the consternation on Wall Street on Tuesday, during the first part of the day's trading activity, investors in eurozone decided to play it safe ... just in case.

This was the way that major European bourses ended last Tuesday's trading day:

Amsterdam's AEX Index	Plus 0.30 percent
Great Britain's FTSE 100 Index	Minus 0.61 percent
Germany's Frankfurt XETRA DAX Index	Minus 0.34 percent
France's CAC40 Index	Minus 0.34 percent
Switzerland's Swiss Market Index	Minus 0.50 percent
Italy's MIBTEL Index	Minus 0.11 percent

Major Asian bourses were generally quiet, last Tuesday, with the largest bourse of them all, that of The Tokyo Stock Exchange, moving down just 0.05 percent.

On The Stock Exchange of Hongkong Ltd, the Main Board's Hang Seng Index gained 0.13 percent, hitting 10,135.55 points by the time that trading ceased for the day.

However, for most of the day, the Hang Seng Index had been in negative territory; it was only an end-run that caused it to run into the black.

The Total Turnover of the day was about \$HK12.07 billion, with losers, outrunning gainers by the ratio of 1.43:One.

The Ten Most Active counters of the day were:

HSBC Holdings plc (Code: 5)	Up 0.26 percent to \$HK95.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 1.48 percent to \$HK51.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 2.16 percent to \$HK21.30 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 0.45 percent to \$HK44.70 per share
PetroChina Company Ltd (Code: 857)	Up 1.11 percent to \$HK2.275 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Unchanged at \$HK50.25 per share
Maanshan Iron and Steel Company Ltd (Code: 323)	Unchanged at \$HK1.75 per share
China Telecom Corporation Ltd (Code: 728)	Up 1.52 percent to \$HK2.00 per share
Huaneng Power International Incorporated (Code: 902)	Down 3.12 percent to \$HK10.85 per share
Hang Seng Bank Ltd (Code: 11)	Unchanged at \$HK83.75 per share

There were 37, double-digit movers, of which number, 24 rose and 13 fell.

DNA Security System (Holdings) Ltd (Code: 1051) was the biggest mover of the Credit Card day, with its share price, gaining 52.63 percent, pushing it back to 2.90 cents.

Tack Hsin Holdings Ltd (Code: 611) was the biggest loser of the day as investors drove down its share price to 10.20 cents, a one-day fall of 26.62 percent.

The trading situation on The Growth Enterprise Market (The GEM) was very similar to that which had transpired on the Main Board, resulting in the lone index of this speculative market, rising just 0.18 percent.

The Growth Enterprise Index ended the day at 1,187.94 points on a Total Turnover of about \$HK355.24 million.

The ratio of losers to gainers was tight, at 1.02:One.

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

tom.com Ltd (Code: 8001)	Unchanged at \$HK2.375 per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Up 1 percent to \$HK1.74 per share
hongkong.com Corporation (Code: 8006)	Up 3 percent to 98 cents per share
SUNeVision Holdings Ltd (Code: 8008)	Up 2 percent to \$HK1.97 per share
First Mobile Group Holdings Ltd (Code: 8110)	Up 8 percent to 27 cents per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
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A-S China Plumbing Products Ltd	8262		11.11	1.68
AKuP International Holdings Ltd	8179		25.64	0.029
Goldigit Atom-Tech Holdings Ltd	8059	10.00		0.099
iLink Holdings Ltd	8107		13.04	0.02
iSteelAsia.com Ltd	8080	13.16		0.086
Kinetana International Biotech Pharma Ltd	8031		17.50	0.066
Linefan Technology Holdings Ltd	8166	10.34		0.032
M Channel Corporation Ltd	8036		10.00	0.018
Medical China Ltd	8186	12.50		0.09
Milkyway Image Holdings Ltd	8130	21.43		0.085
Prosten Technology Holdings Ltd	8026	29.00		0.129
Q9 Technology Holdings Ltd	8129		10.00	0.045
Satellite Devices Corporation	8172		27.08	0.035
Sing Lee Software (Group) Ltd	8076	16.67		0.56
Soluteck Holdings Ltd	8111		13.04	0.10
SYSCAN Technology Holdings Ltd	8083		14.89	0.04
Tungda Innovative Lighting Holdings Ltd	8229	17.65		0.30

In Japan, after investors had pushed up share prices on the country's premier stock market, there was widespread selling, resulting in indices, falling below Monday's level.

The Tokyo Stock Exchange's Nikkei-225 Stock Average ended the day at 9,751.00 yen, off by about 0.05 percent, compared with Monday's closing level.

The rally on the largest bourse in Asia appeared to have fizzled out.

Japanese investors determined that they would wait to hear what Dr Alan Greenspan would tell the US Administration about the US economy, its prospects, and whether or not interest rates would be shaved, once more.

#### News wise:

- The number of **corporate bankruptcies** in Japan, between January and June, this year, dropped by 9 percent, Year-on-Year, to 8,984 bankruptcies, it was reported by a private survey company, based in Japan. Nevertheless, the number was still the 8<sup>th</sup> highest since the end of the Second World War.

In other Asian stock markets, this was the way that they ended their respective trading days, last Tuesday:

HKSAR	Plus 0.13 percent to 10,110.90
Indonesia	Minus 0.21 percent to 533.83
Japan	Minus 0.05 percent to 9,751.00
Malaysia	Plus 0.31 percent to 729.39
The Philippines	Plus 1.28 percent to 1,272.39
Singapore	Plus 0.90 percent to 1,588.67
South Korea	Minus 0.92 percent to 713.45
Taiwan	Minus 0.26 percent to 5,335.86
Thailand	Plus 2.03 percent to 494.20

#### Wednesday.

The US Government is determined that North Korea should not have a nuclear arsenal – under any conditions.

This was the message that Washington promulgated, far and wide, last Tuesday.

And a former US Defence Secretary, who served under President Bill Clinton, warned that the US could go to war against North Korea, the way that things were shaping up, as early as this year.

The White House said that it, still, could not confirm how far down the line Pyongyang has taken its nuclear programme, but it hoped that the Government of the People's Republic of China (PRC), Japan and South Korea could persuade the Communist country not to allow the situation to worsen.

While the US does not suffer fools gladly, it, also, does not, normally, permit a fool to throw the first punch.

Aside from US political news, last Tuesday, from the economic front, it was announced that the Atlanta-based, electrical-supply company, Mirant, had filed for protection from its creditors.

It is the largest casualty of the US energy market, thus far.

Mirant leaves a trail of debts, amounting to about \$US11.40 billion.

The book value of its assets is said to be about \$US20.60 billion.

This company employs about 7,000 workers.

From the Capital City of the US, the Chairman of the US Federal Reserve Board, Dr Alan Greenspan, told the House Financial Services Committee that the US economy is sluggish; and, the Central Bank is cutting its forecast for growth for this year by 0.75 percent, to 2.50 percent.

As for interest rates, they are to stay at their 45-year low ... and could dip even lower, the world's most celebrated doctor said.

On Wall Street, last Tuesday, investors had been awaiting the 'word' from Dr Alan Greenspan and, when it came, it was not that for which had been hoped.

As a result, on The New York Stock Exchange, the Dow Jones Industrial Average lost about 48.18 points, equivalent to about 0.52 percent, ending the day at 9,128.97 points.

On the tech-laden NASDAQ, its Composite Index shed just 1.54 points, or about 0.09 percent, easing back to 1,753.28 points.

In Europe, last Wednesday, it was a similar situation to that which had transpired on Tuesday on the world's largest equity markets.

Investors in that area of the world adopted the view that, if Wall Street did not like the tone of the voice of Dr Alan Greenspan, there was no reason for eurozone to fall in love with it, too.

This is the way that major bourses closed, last Wednesday:

Amsterdam's AEX Index	Minus 0.55 percent
Great Britain's FTSE 100 Index	Minus 0.62 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.09 percent
France's CAC40 Index	Minus 0.90 percent
Switzerland's Swiss Market Index	Minus 0.35 percent
Italy's MIBTEL Index	Minus 0.36 percent

In the Hongkong Special Administrative Region (HKSAR) of the PRC, trading was quiet on both the Main Board and The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

On the Main Board, the Hang Seng Index gained about 0.71 percent, ending the day at 10,207.17 points.

As for The GEM, its Growth Enterprise Index gained about 0.97 percent, ending its session at 1,199.41 points.

The Total Turnover on the Main Board was about \$HK11.07 billion, with advancing counters, outperforming declining counters by the ratio of 2.30:One.

Over on The GEM, its Total Turnover was about \$HK274.89 million, with losers, outweighing gainers by the ratio of 1.36:One.

The Ten Most Actives on the Main Board were:

HSBC Holdings plc (Code: 5)	Up 0.53 percent to \$HK95.50 per share
Hutchison Whampoa Ltd (Code: 13)	Up 1.94 percent to \$HK52.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 1.17 percent to \$HK21.55 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 1.00 percent to \$HK50.75 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.12 percent to \$HK45.20 per share
Hang Seng Bank Ltd (Code: 11)	Unchanged at \$HK83.75 per share
Tracker Fund of Hongkong (Code: 2800)	Up 0.98 percent to \$HK10.30 per share
Huaneng Power International (Code: 902)	Down 4.61 percent to \$HK10.35 per share
PetroChina Company Ltd (Code: 857)	Up 1.10 percent to \$HK2.30 per share

There were a total of 58, double-digit movers of the day, with 8 of their number, seeing their share prices move down by 10 percent or more.

All the rest, all 50 of them, experienced gains of not less than 10 percent.

The biggest gainer of the day was Multifield International Holdings Ltd (Code: 898), whose share price gained 74.76 percent, rising to 18 cents per share.

SUNDAY Communications Ltd (Code: 866) was the biggest loser of the day as investors drove down its share price to 30.50 cents, a one-day fall of about 24.69 percent.

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

tom.com Ltd (Code: 8001)

Up 1 percent to \$HK2.40 per share

CK Life Sciences International (Holdings) Incorporated (Code: 8222)

Up 1 percent to \$HK1.75 per share

hongkong.com Corporation (Code: 8006)

Down 3 percent to 95 cents per share

Wah Sang Gas Holding Ltd (Code: 8035)

Down 1 percent to 92 cents per share

Innovis Holdings Ltd (Code: 8065)

Up 2 percent to 41.50 cents per share

As for The GEM's biggest movers of the day, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
abc Multiactive Ltd	8131	80.00		0.018
Changmao Biochemical Engineering Company Ltd	8208		11.43	0.31
Glory Mark Hi-Tech (Holdings) Ltd	8159	13.33		0.238
Henderson Cyber Ltd	8023		10.53	0.255
Inworld Group Ltd	8100	10.42		0.053
Jiangsu Nandsoft Company Ltd	8045	11.63		0.48
KanHan Technologies Group Ltd	8175	11.63		0.24
Kinetana International Biotech Pharma Ltd	8031	22.73		0.081
Medical China Ltd	8186	35.56		0.122
ProSticks International Holdings Ltd	8055		11.11	0.016
Satellite Devices Corporation	8172	28.57		0.045
Stockmartnet Holdings Ltd	8123		16.67	0.04
SYSCAN Technology Holdings Ltd	8083	15.00		0.046
T S Telecom Technologies Ltd	8003		10.71	0.075
Town Health International Holdings Company Ltd	8138	15.09		0.061
Tungda Innovative Lighting Holdings Ltd	8229	10.00		0.33
Vertex Communications and Technology Group Ltd	8228	14.29		0.40
Vodatel Networks Holdings Ltd	8033	10.00		0.44
Wanyou Fire Safety Technology Holdings Ltd	8201	17.74		0.365

On Asia's largest equity markets, things continued to deteriorate, but only moderately.

On The Tokyo Stock Exchange, which is the premier bourse of Japan, the key index, the Nikkei-225 Stock Average, surrendered about 15.03 yen, or about 0.15 percent, ending the day at 9,735.97 yen.

As with other markets, Japan had taken her cue from Wall Street's close of the previous day and the statements by Dr Alan Greenspan.

News wise:

- **Mitsukoshi Ltd**, a major force in the departmental store industry of Japan, said that it would close 5 of its stores, all of which are unprofitable. Mitsukoshi has 88 stores in Japan, but it is facing stiff competition in the marketplace where consumers are holding onto their cash.

And, in other Asian Stock markets, this was how they fared, last Wednesday:

HKSAR	Plus 0.71 percent to 10,207.17
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Indonesia	Minus 1.79 percent to 524.26
Japan	Minus 0.15 percent to 9,735.97
Malaysia	Minus 0.69 percent to 724.35
The Philippines	Minus 0.16 percent to 1,270.33
Singapore	Plus 0.46 percent to 1,595.92
South Korea	Plus 0.42 percent to 716.48
Taiwan	Plus 1.46 percent to 5,413.87
Thailand	Plus 1.82 percent to 503.19

### **Thursday**

Historic events that took place in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) and a smallish shooting spree at the demilitarised zone, just north of Seoul, South Korea, shared centre stage, internationally, last Thursday, with, perhaps, the events, taking shape in the HKSAR, edging out those of South Korea, by a little more than just a hair.

In the HKSAR, it was announced that 2 Ministers of the Government of Mr Tung Chee Hwa had resigned.

They were the Secretary of Security, Ms Regina Ip, and Financial Secretary, Mr Antony Leung.

Ms Ip is the highest-ranking woman in the HKSAR Government: She is leaving for '*personal reasons*'.

Chief Executive Tung Chee Hwa said that he regretted her decision to leave Government service.

Mr Antony Leung, on the other hand, left under somewhat of a cloud, after he appeared to have taken advantage of his privileged position by purchasing a new Lexus luxury motor car just weeks before he announced an increase in First Registration Tax on motor vehicles.

This matter is now under investigation by the HKSAR Justice Department.

Chief Executive Tung Chee Hwa did not comment on Mr Leung's resignation, which became effective, immediately.

With effect from last Thursday, all privileges were withdrawn from the former Financial Secretary, including the use of his Government motor car and driver, and all other perquisites of office.

In terms of the pecking order, Mr Leung was the Number 3 man.

It was a political crisis of unprecedented proportions – for the Government of the PRC.

Mr Tung Chee Hwa had been hand-picked by the Government of the PRC in 1997 to lead the HKSAR in its transition from being a British Colony to being a Special Administrative Region of the PRC.

Mr Tung Chee Hwa was '*ordered*' to Beijing, last Saturday, in order to explain the situation to the highest of the high muck-a-mucks.

On being interviewed by the HKSAR Press, he said that he would not resign his position.

*'Never!'* He barked at reporters.

He, then, went on to state:

*'If I say I will leave my position, it will not be responsible. It will bring more instability,'*

In view of his many political miscalculations, over the past 6 years or so, one may ponder as to whether or not he is correct in his current political determinations because, after all, he has a record of being bowled for a duck, thus far.

Also, from the HKSAR Government, it was announced that the unemployment rate had hit 8.60 percent for the 3 months, ended June 30, 2003.

For the quarter to May 30, the unemployment rate had been about 8.30 percent.

The total labour force increased by about 6,500 workers in the quarter, ended June 30.



Share prices fell on both of the Main Board of The Stock Exchange of Hongkong Ltd and The Growth Enterprise Market (The GEM) – more of this situation, later on in this report.

In South Korea, tensions grew between the guards on both sides of the demilitarised zone, with North and South Korean guards, opening up with machine-gun fire.

Provocations from either side are not uncommon along this front, but deadly fire is not the norm.

The number of casualties was not known.

The US Government is continuing to play its diplomatic cards and is encouraging the PRC Government to assist in being the peacemaker. (Please see Monday's report)

Wall Street seemed to be undeterred by the events in Asia – after all, Asia is a long way from New York.

On The New York Stock Exchange, the Dow Jones Industrial Average fell 34.38 points, equivalent to about 0.38 percent, ending the day at 9,094.59 points.

On the NASDAQ, the Composite Index shed 5.24 points, or about 0.30 percent, ending the session at 1,747.97 points.

The ratio of losers to gainers on the NASDAQ was about 2:One while, on the Big Board of The New York Stock Exchange, declining counters outpaced advancing ones by the ratio of 1.29:One.

There were quite a number of reasons for the falls on the world's largest stock markets, but the statements by Dr Alan Greenspan stood out as being the most prominent factors. (Please see Wednesday's report)

On the subject of Dr Greenspan, testifying before the Senate Banking Committee, last Wednesday in Washington, he said that there was some concern about deflation, crippling the economy.

In Europe, it was announced that the Finnish mobile telecommunication manufacturer, Nokia, which happens to be the largest such producer in the world, today, announced that its profits fell, dramatically, in the quarter, ended June 30, 2003.

The drop, Year-on-Year, was a whopping 28 percent, the company reported.

Further, the company announced that there would be more bad news, coming in the current quarter, ending September 30, 2003.

Investors in the eurozone were not amused.

Down came share prices in fast succession.

This was how major bourses in Europe fared, last Thursday:

Amsterdam's AEX Index	Minus 1.93 percent
Great Britain's FTSE 100 Index	Minus 0.50 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.68 percent
France's CAC40 Index	Minus 0.68 percent
Switzerland's Swiss Market Index	Minus 0.69 percent
Italy's MIBTEL Index	Minus 0.46 percent

In Asia, Japan led the losers of the 9, major equity markets in the world's most populous area.

In the HKSAR, the Main Board of The Stock Exchange of Hongkong Ltd lost about 1.08 percent of its value, falling to 10,096.72 points on a Total Turnover of about \$HK11.72 billion.

The ratio of losers to gainers was telling, at about 3.48:One.

With the Total Turnover at a relatively high level, and with investors, lining up to unload scrip, the situation looked ominous.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Down 0.79 percent to \$HK94.75 per share
Hutchison Whampoa Ltd (Code: 13)	Down 1.43 percent to \$HK51.75 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 2.78 percent to \$HK20.95 per share
Sun Hung Kai Properties Ltd (Code: 16)	Down 0.22 percent to \$HK45.10 per share
PetroChina Company Ltd (Code: 857)	Down 4.35 percent to \$HK2.20 per share

Hang Seng Bank Ltd (Code: 11)	Down 0.90 percent to \$HK8.30 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 1.00 percent to \$HK50.00 per share
Hongkong Electric Holdings Ltd (Code: 6)	Down 0.65 percent to \$HK30.60 per share
China Telecom Corporation Ltd (Code: 728)	Up 1.22 percent to \$HK2.075 per share
Henderson Land Development Company Ltd (Code: 12)	Up 0.81 percent to \$HK25.00 per share

There were a total of 46, double-digit movers of the day, with 34 of their number, losing 10 percent or more of their value, while 12, double-digit movers managed to improve their lot by 10 percent or more.

The biggest gainer of the day was Winfoong International Ltd (Code: 63) whose share price tacked on 20 percent, ending the day at 12 cents per share.

Multifield International Holdings Ltd (Code: 898) was the biggest loser of the day as investors knocked back its share price by 43.89 percent, pushing it back to 10.10 cents.

On Wednesday, Multifield International was the biggest gainer of the day.

On The GEM, investors were treated to one of the largest, one-day losses for more than a year.

The Growth Enterprise Index shed about 3.66 percent of its value, falling to 1,155.50 points.

The retreat wiped out nearly a fortnight's gains in the value of The GEM's lone index.

The Total Turnover was about \$HK280.76 million, while the ratio of losers to gainers was 2.68:One.

The Li Ka Shing mob got trampled under the selling stampede.

The following is **TARGET's** list of the 5, most-active counters, in terms of their respective indices, only:

tom.com Ltd (Code: 8001)	Down 7 percent to \$HK2.225 per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Down 5 percent to \$HK1.67 per share
hongkong.com Corporation (Code: 8006)	Down 14 percent to 82 cents per share
Launch Tech Company Ltd (Code: 8196)	Up 3 percent to \$HK1.39 per share
Kingdee International Software Group Company Ltd (Code: 8133)	Up 4 percent to \$HK2.125 per share

The double-digit movers of this market were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AKuP International Holdings Ltd	8179	24.14		0.036
Angels Technology Company Ltd	8112		16.67	0.25
G.A. Holdings Ltd	8126		10.60	0.135
Hongkong.com Corporation	8006		13.68	0.82
Inworld Group Ltd	8100		11.32	0.047
iSteelAsia.com Ltd	8080	11.90		0.094
Medical China Ltd	8186	13.11		0.138
New Chinese Medicine Holdings Ltd	8085	45.00		0.058
PINE Technology Holdings Ltd	8013		17.78	0.074
ProSticks International Holdings Ltd	8055	12.50		0.018
Q9 Technology Holdings Ltd	8129		11.11	0.04
Satellite Devices Corporation	8172	22.22		0.055
Sino Biopharmaceutical Ltd	8027		10.87	2.05
Tradeeasy Holdings Ltd	8163	17.39		0.027
Tungda Innovative Lighting Holdings Ltd	8229		10.61	0.295

#### News wise:

- Mr Li Ka Shing sprung another surprise on beleaguered shareholders of his fixed-line, telecommunications company by announcing a Share Placement of debt-ridden **PCCW Ltd (Code: 8)**. This company will seek to raise about \$HK3.15 billion, gross, by Placing 715 million, PCCW shares at a price of \$HK4.40 per share. The Placement Price was 9.28 percent below the Wednesday closing level of \$HK4.85. The money will be used to reduce PCCW's mountain of debt, which stood at not less than \$HK33 billion, as at the last Balance Sheet Date. The number of takers exceeded the number of shares on offer by about 1.30 times, one banker was reported to have stated.

In The Land of The Rising Sun, investors scrambled to sell stocks and shares.

On the premier equity market of Japan, The Tokyo Stock Exchange, the Nikkei-225 Stock Average, the '*barometer*' of trading on this market, collapsed as it was dragged down by about 2.44 percent, ending the hectic trading day at 9,498.86 yen.

The glitter, having gone from Wall Street, Japanese investors appeared to have lost heart as the largest stock market in Asia saw sellers swamp buyers by the ratio of 3.55:One.

Few counters were spared as Japanese investors lined up to dump stock as soon as buyers could be located.

This was the way that other Asian markets closed, last Thursday night:

HKSAR	Minus 1.08 percent to 10,096.72
Indonesia	Minus 0.14 percent to 523.55
Japan	Minus 2.44 percent to 9,498.86
Malaysia	Minus 1.20 percent to 715.65
The Philippines	Plus 0.30 percent to 1,274.20
Singapore	Minus 0.63 percent to 1,585.92
South Korea	Closed
Taiwan	Minus 2.11 percent to 5,299.51
Thailand	Minus 1.61 percent to 495.08

## **Friday**

For the 22<sup>nd</sup> consecutive week, the number of people, claiming Unemployment Insurance benefits, was above the 400,000-claim level, The Labour Department of the US Government announced.

For the week, ended July 12, the number of unemployed, seeking Unemployment Insurance for the first time, was 412,000 claims, down from the previous week of 441,000 claims (revised).

That statistic was released just prior to Boeing, announcing that it was sacking another 5,000 of its workers, and Ford Motor Company, stating that it is to sack at least another 2,000 of its workers.

It was only last November that Boeing, the largest aerospace company in the world, let go a similar number of workers as the latest paring of its labour force.

Wall Street did not like that which it heard and, as a result, the largest equity markets in the world came under intense selling pressure, last Thursday.

By the end of the day, the Dow Jones Industrial Average, the index of blue chips, listed on the Big Board of The New York Stock Exchange, had lost 43.77 points, or about 0.48 percent, falling to 9,050.82 points.

But, on the NASDAQ, it was a completely different fire that was scorching investors, as the key index on that market, the Composite Index, gave up 49.95 points, equivalent to about 2.86 percent, falling back to 1,698.02 points.

It was the biggest percentage loss for the NASDAQ in the previous 60 trading days.

The ratio of losers to gainers was about 4:One on the NASDAQ and about 3:One on the Big Board of The New York Stock Exchange.

In Europe, noting that, in early Friday trading on Wall Street, there had been a bit of a bounce-back, investors took a gamble that major equity markets would recover some of the losses of Thursday.

At the time that Europe was trading, last Friday, investors in that part of the world had not heard of the news from Boeing and Ford.

This was the way that European investors determined on which note their respective bourses should end, last Friday night:

Amsterdam's AEX Index	Plus 2.35 percent
Great Britain's FTSE 100 Index	Plus 0.41 percent
Germany's Frankfurt XETRA DAX Index	Plus 1.08 percent
France's CAC40 Index	Minus 0.01percent

Switzerland's Swiss Market Index  
Italy's MIBTEL Index

Plus 0.08 percent  
Plus 0.51 percent

Generally, Asian stock markets were fractionally better, last Friday, compared with Thursday's closing levels.

On the Main Board of The Stock Exchange of Hongkong Ltd, Mr Li Ka Shing's PCCW Ltd (Code: 8) was the centre of attention, as investors frantically fought for buyers in order to unload this telecommunication company's scrip as though to touch it could result in one, contracting leprosy.

In all, a total of about 902.59 million PCCW shares changed hands, during the day, with the share price, falling by more the 10 percent by the close of the day. (See below)

In terms of the dollar value of those trades, it represented about \$HK3.96 billion, equivalent to 31.08 percent of the Total Turnover of \$HK12.74 billion. (Please see Thursday's report)

The Hang Seng Index gained about 0.44 percent, ending the week at 10,140.84 points, while the ratio of gainers to losers was about 1.41:One.

The Ten Most Actives were:

PCCW Ltd (Code: 8)	Down 10.31 percent to \$HK4.35 per share
HSBC Holdings plc (Code: 5)	Up 0.26 percent to \$HK95.00 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 0.24 percent to \$HK21.00 per share
Hutchison Whampoa Ltd (Code: 13)	Up 0.97 percent to \$HK52.25 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 2.50 percent to \$HK51.25 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 2.22 percent to \$HK46.10 per share
PetroChina Company Ltd (Code: 857)	Up 1.14 percent to \$HK2.225 per share
Hang Seng Bank Ltd (Code: 11)	Up 0.90 percent to \$HK83.75 per share
Maanshan Iron and Steel Company Ltd (Code: 323)	Up 2.96 percent to \$HK1.74 per share
China Telecom Corporation Ltd (Code: 728)	Up 2.41 percent to \$HK2.125 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Alpha General (Holdings) Ltd	73		10.34	0.26
Capital Strategic Investment Ltd	497	11.76		0.19
Chen Hsong Holdings Ltd	57	11.63		3.60
China Nan Feng Group Ltd	979		10.53	0.017
Chitaly Holdings Ltd	1198	13.10		2.375
CIL Holdings Ltd	479	10.00		0.022
Climax International Company Ltd	439		11.11	0.024
Daqing Petroleum and Chemical Group Ltd	362	11.11		0.50
Everest International Investments Ltd	204	11.11		0.10
Fairwood Holdings Ltd	52	15.38		0.90
Far East Hotels and Entertainment Ltd	37		11.11	0.28
Fulbond Holdings Ltd	1041	30.77		0.017
Great China Holdings Ltd	141		32.43	0.25
Hongkong Building and Loan Agency Ltd, The	145		15.38	0.66
HyComm Wireless Ltd	499		10.26	0.07
Innovative International (Holdings) Ltd	729	26.09		0.029
Karce International Holdings Company Ltd	1159	16.38		0.206
Le Saunda Holdings Ltd	738		13.79	0.25
Oriental Explorer Holdings Ltd	430	27.91		0.055
Pak Fah Yeow International Ltd	239		13.33	1.30
Paladin Ltd	495		15.38	0.044
PCCW Ltd	8		10.31	4.35
Singapore Hongkong Properties Investment Ltd	245		10.00	0.072
Saint Honore Holdings Ltd	192		12.05	0.73
Shang Hua Holdings Ltd	371		16.67	0.05
South China Brokerage Company Ltd	619	11.54		0.029
Star East Holdings Ltd	198		16.67	0.03
Starbow Holdings Ltd	397		15.38	0.011
Tack Hsin Holdings Ltd	611	48.33		0.178

Tomorrow International Holdings Ltd	760	11.11		0.70
Yau Lee Holdings Ltd	406	13.57		0.159
Zhongda International Holdings Ltd	909	15.69		0.295

Over on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover dropped to about \$HK168.99 million, with gainers and losers, being very close, at about 1.03:One.

The Growth Enterprise Index ended the week at 1,163.53 points, a one-day gain of about 0.70 percent.

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

tom.com Ltd (Code: 8001)	Up 1 percent to \$HK2.25 per share
hongkong.com Corporation (Code: 8006)	Up 4 percent to 85 cents per share
Global Link Communications Holdings Ltd (Code: 8060)	Unchanged at \$HK1.39 per share
Innovis Holdings Ltd (Code: 8065)	Up 4 percent to 43 cents per share
CK Life Sciences International (Holdings) Incorporated (Code: 8222)	Up 2 percent to \$HK1.70 per share

The biggest gainers of the day were:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AKuP International Holdings Ltd	8179		27.78	0.026
Inworld Group Ltd	8100	10.64		0.052
Medical China Ltd	8186		13.04	0.12
New Chinese Medicine Holdings Ltd	8085	10.34		0.064
Recruit Holdings Ltd	8073		13.33	0.013
Stockmartnet Holdings Ltd	8123	20.00		0.048
Tungda Innovative Lighting Holdings Ltd	8229	10.17		0.325

The tally for the week was, therefore:

The Hang Seng Index	Up 2.61 percent
The Growth Enterprise Index	Down 0.08 percent

On The Tokyo Stock Exchange, which is the largest equity market in Asia, its Nikkei-225 Stock Average eked out a 0.30-percent gain on the last day of trading, ending the week at 9,527.73 yen.

It was the first day in 4 trading sessions that this market had managed to be in the black.

Today is a holiday in The Land of The Rising Sun so that, last Friday, some investors, no doubt, were punting that the premier bourse of the country would see pluses when it opened for business, the following Tuesday.

In addition, a large amount of short-covering was known to have taken place, last Friday.

News wise:

- **Yahoo Japan Corporation** announced that its Group Net Profit for the quarter, ended June 30, 2003, was about 4.54 billion yen, up by about 108.60 percent, Year-on-Year.

For the week, ended July 18, the tally for The Tokyo Stock Exchange was:

The Nikkei-225 Stock Average	Down 1.12 percent
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And this was the way that other Asian markets ended the week of July 18, 2003:

HKSAR	Plus 0.44 percent to 10,140.84
Indonesia	Plus 0.37 percent to 525.50
Japan	Plus 0.30 percent to 9,527.37
Malaysia	Plus 0.12 percent to 716.52
The Philippines	Plus 0.85 percent to 1,284.99
Singapore	Minus 0.31 percent to 1,580.96

South Korea	Minus 2.39 percent to 699.35
Taiwan	Minus 0.23 percent to 5,287.38
Thailand	Minus 0.41 percent to 493.04

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