

**IRAN IS OFFERED A BASKET OF INCENTIVES BY THE WEST –
IRAN'S RESPONSE:
YOU KEEP YOUR INCENTIVES AND WE'LL KEEP TO OUR AGENDA**

With equity markets in the United States closed for a public holiday and with The London Stock Exchange, also, closed for a national holiday, Asia had to go it alone, last Monday: There would be no suggestion or indication as to the likely direction of major stock markets of the world outside Asia.

In Europe, for those stock markets that were open for business, investors had a similar problem to face as Asians because, for the most part, they were shooting in the dark with regard to considering what action to take on equity markets, if any.

As a result, trading on the 5 major, European equity markets that were open for business, last Monday, was listless, with the general tenor, being negative.

This was how the situation looked, last Monday, on European stock markets:

Amsterdam's AEX Index	Minus 0.10 percent
Great Britain's FTSE 100 Index	Closed
Germany's Frankfurt XETRA DAX Index	Minus 0.57 percent
France's CAC 40 Index	Minus 0.59 percent
Switzerland's Swiss Market Index	Plus 0.41 percent
Italy's MIBTEL Index	Plus 0.06 percent

In Asia, it was a mixed bag, with trading, for the most part, being rather light on major equity markets.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the territory's 2 stock markets chalked up fractional gains.

The Hang Seng Index, which is the key index of the Main Board of The Stock Exchange of Hongkong Ltd, rose about 0.43 percent to close out the day at 15,963.77 points on the relatively low Total Turnover of about \$HK22.12 billion.

The ratio of gaining counters to losing ones was about 1.25:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 0.52 percent to \$HK135.60 per share
China Life Insurance Company Ltd (Code: 2628)	Up 4.02 percent to \$HK11.65 per share
China Construction Bank Corporation (Code: 939)	Up 0.76 percent to \$HK3.325 per share
PetroChina Company Ltd (Code: 857)	Up 1.19 percent to \$HK8.50 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 1.11 percent to \$HK41.10 per share
China Petroleum and Chemical Corporation (Code: 386)	Up 1.63 percent to \$HK4.675 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.21 percent to \$HK70.80 per share
Bank of Communications Company Ltd (Code: 3328)	Unchanged at \$HK4.925 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.66 percent to \$HK84.45 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Down 0.66 percent to \$HK15.00 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Capital Estate Ltd	193	10.40		0.191
Celestial Asia Securities Holdings Ltd	1049	25.00		0.40
China Nan Feng Group Ltd	979	24.44		0.112
China Rich Holdings Ltd	1191	14.29		0.16
China Velocity Group Ltd	149		16.67	0.50
Climax International Company Ltd	439	10.00		0.275
CNT Group Ltd	701		11.33	0.18
Concepta Investments Ltd	1140	11.36		0.245
Foundation Group Ltd	2950	32.08		0.70

Hua Yi Copper Holdings Ltd	559	12.79		0.485
INNOMAXX Biotechnology Group Ltd	340	22.63		0.233
Modern Beauty Salon Holdings Ltd	919	11.00		1.11
Omnicorp Ltd	94	25.00		0.65
Sandmartin International Holdings Ltd	482		19.05	1.70
Sky Hawk Computer Group Holdings Ltd	1129	25.00		0.10
Star Cruises Ltd	678		17.86	1.38
Swank International Manufacturing Company Ltd	663		10.83	0.107
Teem Foundation Group Ltd	628	16.03		1.81
Vitop Bioenergy Holdings Ltd	1178	13.00		0.113

Over on The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose 0.78 percent, exactly, ending the trading day at 1,153.59 points.

The Total Turnover on this highly speculative equity market was about \$HK188.91 million.

Gaining counters outnumbered losing ones by the ratio of about 1.86:One.

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

Wumart Stores Incorporated (Code: 8277)

Down 1 percent to \$HK23.00 per share

Techpacific Capital Ltd (Code: 8088)

Up 9 percent to 97 cents per share

China Advance Holdings Ltd (Code: 8117)

Up 7 percent to \$HK3.975 per share

Town Health International Holdings Company Ltd (Code: 8138)

Up 3 percent to 32 cents per share

B.A.L. Holdings Ltd (Code: 8079)

Up 6 percent to 70 cents per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Argos Enterprise (Holdings) Ltd	8022	17.54		0.134

Shanxi Changcheng Microlight Equipment Company Ltd	8286	40.00		0.35
FX Creations International Holdings Ltd	8136	26.92		0.33
Global Link Communications Holdings Ltd	8060	20.00		0.06
HC International Incorporated	8292	17.24		1.70
Long Success International (Holdings) Ltd	8017	10.17		0.65
MP Logistics International Holdings Ltd	8239		16.67	0.10
Neolink Cyber Technology (Holding) Ltd	8116		22.50	0.062
Prosten Technology Holdings Ltd	8026		20.00	0.40
Satellite Devices Corporation	8172		10.81	0.033
Sing Lee Software (Group) Ltd	8076	26.98		0.08
T S Telecom Technologies Ltd	8003	34.67		0.101
TeleEye Holdings Ltd	8051	20.00		0.066
Tiger Tech Holdings Ltd	8046	15.00		0.023

In The Land of The Rising Sun, there, really, was little to stimulate trading in stocks and shares, one way or another, as one report and another suggested that all was not exactly well in the second-largest economy of the world. (Please see [News Wise](#), below)

On The Tokyo Stock Exchange, its TOPIX Index rose 2.39 points, equivalent to about 0.15 percent, ending the relatively quiet trading session at 1,616.17 points.

The ratio of declining counters to advancing ones was about 1.27:One.

The narrower gauge of the direction of blue chips, listed on the First Section of The Tokyo Stock Exchange, known as The Nikkei-225 Stock Average, went in the opposite direction to the TOPIX Index, dropping 55.08 yen, or about 0.34 percent, coming to rest at 15,915.68 yen by the time that the doors closed on Asia's largest equity market.

News Wise

- **Saikyo Bank** has been Ordered by the Financial Services Agency (FSA) to improve the way that it does business and monitors the activities of its staff. The FSA discovered that 8 members of the bank's staff had embezzled money from certain depositors' accounts, totalling about 150 million yen, between 2000 and 2005;
- The **Consumer Price Index** rose about 0.50 percent in April, compared with the like month in 2005, according to The Internal Affairs and Communications Ministry;
- **Household spending** in Japan, during the month of April, fell about 2 percent, Year-On-Year, The

Internal Affairs and Communications Ministry reported;

- Japan's **unemployment rate** remains at about 4.10 percent, which is a 7-year low, the Government announced. April's statistic was unchanged from the previous 3 months; and,
- **Industrial production** in Japan rose 1.50 percent in April, seasonally adjusted, compared with March's figures, The Ministry of Economy, Trade and Industry announced.

In other Asian stock markets, this was how their respective key indices ended, last Monday night:

The HKSAR	Plus 0.43 percent to 15,963.77
Indonesia	Plus 0.81 percent to 1,333.88
Japan	TOPIX Index Plus 0.15 percent to 1,616.17 Nikkei-255 Stock Average Minus 0.34 percent to 15,915.68
Malaysia	Minus 0.26 percent to 928.37
The Philippines	Minus 0.76 percent to 2,282.89
Singapore	Minus 0.21 percent to 2,439.91
South Korea	Plus 0.51 percent to 1,329.22
Taiwan	Minus 0.01 percent to 6,878.88
Thailand	Plus 0.57 percent to 721.58

Tuesday

High energy prices are hurting the US economy and, especially, consumer spending power.

That was the message from the world's largest retailer: Wal-Mart Stores Incorporated.

And that little message touched off a selling frenzy that went round the world.

Wal-Mart reported that May sales at its shops were disappointing; Management blamed those poor sales on the high price of petrol.

What appears to be happening – and one does not have to be an economic genius to understand this basic concept – is that US consumers, especially the middle-class to lower middle-class, cascading down to the economically deprived and to those people, living on fixed incomes, cannot afford the high price of petrol in order to toddle off to the local Wal-Mart outlet in order to buy some socks for Dad, or some new clothes for the kiddies, at \$US50 per visit.

Because the cost of getting to the closest Wal-Mart outlet in the family motor car erodes much, if not all, of any benefit from shopping at this mass retailer where prices are known to be cheaper than can be obtained in the High Street.

As energy prices stay high – and last Tuesday, they scooted to higher levels, once again – so it becomes even more apparent that consumer spending in the world's largest economy will continue to wane.

On Wall Street, last Tuesday, following the long, Memorial Day break, sellers lined up to unload stocks and shares.

On The New York Stock Exchange, the Dow Jones Industrial Average fell 184.18 points, equivalent to about 1.63 percent, as investors pushed down this key index of the world's largest equity market to 11,094.43 points.

Over on The NASDAQ, its Composite Index gave up 45.63 points, or about 2.06 percent, dropping back to 2,164.74 points.

It was clear that the US was about to face a bout of inflation unless the tide could be turned.

And, as the US dollar drifted lower against other '*hard*' currencies, so inflationary embers were being stirred and could, at any time, burst into flame.

On The New York Mercantile Exchange (NYMEX), the price of crude oil rose again.

The last settlement for a barrel of light sweet crude oil for delivery in July was \$US72.03, an increase of about 0.92 percent on the last settlement of Friday, May 26, 2006.

As for August delivery, the last settlement for a barrel of light sweet crude oil was \$US72.87, an increase of about 0.98 percent on the previous Friday's last transaction.

In Europe, trigger fingers were at the ready on realising what was taking place on the world's largest equity markets: Down came stock and share prices on all of Europe's major bourses.

The extent of the carnage on European trading floors was completely unexpected as tens of billions of euros were wiped off the market capitalisations of the blue chips of Eurozone.

What made matters worst was a report from Vodafone Group plc, which announced a record-breaking loss, a loss which sounded similar to the annual budgets of some South Pacific nations. (Please see [News Wise](#), below)

This was how the situation looked on the most-important European bourses, last Tuesday night:

Amsterdam's AEX Index	Minus 2.48 percent
Great Britain's FTSE 100 Index	Minus 2.40 percent
Germany's Frankfurt XETRA DAX Index	Minus 2.30 percent
France's CAC 40 Index	Minus 2.42 percent
Switzerland's Swiss Market Index	Minus 1.74 percent
Italy's MIBTEL Index	Minus 2.21 percent

- **Vodafone Group plc** reported a Loss Attributable to Shareholders of about £17.23 billion (about \$US31 billion) for Fiscal 2005, ended March 31, 2006. For the Financial Year, ended March 31, 2005, the company reported a Net Profit Attributable to Shareholders of about £5.42 billion (about \$US9.80 billion). The company, also, said that it would be sacking 400 of its staff members in order to reduce costs.

In Asia, for the most part, key indices of major equity markets lost ground or drifted to a non-definitive halt by the close of the business day, last Tuesday.

In some parts of Asia, investors were preparing to watch the many competitive events of the Dragon Boat Festival, which took place last Wednesday, which was a holiday.

The Dragon Boat Festival is, now, an international event as the competitors from North America to Asia and down to the Antipodes compete for the coveted prize of champion Dragon Boat of the world.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), trading was, generally, lacklustre.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index was down about 0.66 percent by the close of the trading day, at 15,587.89 points.

The Total Turnover was about \$HK25.87 billion, while the ratio of declining counters to advancing ones was about 1.52:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5) Up 0.22 percent to \$HK135.90 per share

Foxconn International Holdings Ltd (Code: 2038) Up 10.64 percent to \$HK20.80 per share

China Mobile (Hongkong) Ltd (Code: 941) Down 1.58 percent to \$HK40.45 per share

China Construction Bank Corporation (Code: 939) Up 1.50 percent to \$HK3.375 per share

Galaxy Entertainment Group Ltd (Code: 27) Up 13.19 percent to \$HK8.15 per share

PetroChina Company Ltd (Code: 857) Down 1.76 percent to \$HK8.35 per share

China Life Insurance Company Ltd (Code: 2628) Down 0.43 percent to \$HK11.60 per share

CNOOC Ltd (Code: 883) Down 1.65 percent to \$HK5.95 per share

Shun Tak Holdings Ltd (Code: 242) Up 3.83 percent to \$HK10.85 per share

Cheung Kong (Holdings) Ltd (Code: 1) Down 0.41 percent to \$HK84.10 per share

As for the biggest movers of the Main Board, last Tuesday, they included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
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Asia Zirconium Ltd	395	10.96		0.81
China Motion Telecom International Ltd	989	26.09		0.29
Compass Pacific Holdings Ltd	1188	11.05		0.191
eForce Holdings Ltd	943		11.54	0.069
Foxconn International Holdings Ltd	2038	10.64		20.80
Galaxy Entertainment Group Ltd	27	13.19		8.15
Heritage International Holdings Ltd	412	11.54		0.029
Hunan Nonferrous Metals Corporation Ltd	2626	16.67		2.975
Hopson Development Holdings Ltd	754	12.05		18.60
IDT International Ltd	167		10.53	0.51
INNOMAXX Biotechnology Group Ltd	340	15.88		0.27
Lam Soon (Hongkong) Ltd	411	13.66		4.575
Macau Success Ltd	487	10.84		0.92
Magnum International Holdings Ltd	305	12.50		0.09
Multifield International Holdings Ltd	898	10.00		0.143
PME Group Ltd	379	11.27		0.079
PYI Corporation Ltd	498	16.81		3.30
Sandmartin International Holdings Ltd	482		20.59	1.35
Shenzhen Investment Ltd	604	12.79		2.425
Tian An China Investments Company Ltd	28	15.98		4.90
United Metals Holdings Ltd	2302		11.54	0.46

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, investors pushed up this speculative market's lone index by about 0.69 percent, allowing The Growth Enterprise Index to finish off the trading day at 1,161.52 points.

The Total Turnover on this market was about \$HK166.08 million.

Advancing counters outnumbered declining ones by the ratio of 1.27:One, exactly.

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

Techpacific Capital Ltd (Code: 8088)

Up 6 percent to \$HK1.03 per share

Wumart Stores Incorporated (Code: 8277)

Unchanged at \$HK22.95 per share

HC International Incorporated (Code: 8292)

Up 2 percent to \$HK1.73 per share

Town Health International Holdings Company Ltd (Code: 8138) Down 3 percent to 31 cents per share

Enric Energy Equipment Holdings Ltd (Code: 8289)

Up 8 percent to \$HK4.95 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Advanced Card Systems Holdings Ltd	8210	18.18		0.13
DIGITALHONGKONG.COM	8007		11.11	0.16
Excel Technology International Holdings Ltd	8048		11.11	0.08
FX Creations International Holdings Ltd	8136		12.12	0.29
GreaterChina Technology Group Ltd	8032	13.33		0.085
IIN International Ltd	8128	12.00		0.028
Info Communication Holdings Ltd	8082		11.76	0.075
Milkyway Image Holdings Ltd	8130	22.22		0.044
Mobile Telecom Network (Holdings) Ltd	8266	10.34		0.032
Neolink Cyber Technology (Holding) Ltd	8116	25.81		0.078
Shine Software (Holdings) Ltd	8270	22.22		0.11
Stockmartnet Holdings Ltd	8123	17.65		0.06

WLS Holdings Ltd	8021	27.45		0.13
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In Japan, while trading in stocks and shares was, for the most part, sluggish, losing counters outnumbered gaining ones on the First Section of The Tokyo Stock Exchange by the ratio of about 3.48:One.

It was reported that many international investors had pulled out part of their equity holdings in Japan in order to plug up financial holes on other equity markets outside of Asia.

The TOPIX Index of this equity market, which is the largest in Asia, ended the day at 1,612.76 points, representing a fall of about 0.21 percent, compared with Monday's closing figure.

As for the narrower gauge of trading, known as The Nikkei-225 Stock Average, it ended the day at 15,859.45 yen, down about 0.35 percent on Monday's close.

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

The HKSAR	Minus 0.66 percent to 15,857.89
Indonesia	Plus 2.42 percent to 1,366.17
Japan	TOPIX Index Minus 0.21 percent to 1,612.76 Nikkei-255 Stock Average Minus 0.35 percent to 15,859.45
Malaysia	Plus 0.16 percent to 929.89
The Philippines	Plus 0.75 percent to 2,300.08
Singapore	Plus 0.07 percent to 2,441.54
South Korea	Minus 0.87 percent to 1,317.70
Taiwan	Minus 0.46 percent to 6,846.95
Thailand	Minus 1.06 percent to 713.96

Wednesday

There was a bit of a bounce-back on international commodity and equity markets, last Wednesday, following what appeared to be a political retreat on the part of the US Government, which was making overtures to the Government of Iran to sit down at a conference table in order to talk about the 2 nations, being convivial international partners in the future – if friendship was not possible.

But the offer by the US Government was conditional on Iran, first agreeing to cease and desist in its uranium-enrichment programme.

Iran has stated, on many occasions of late, that it has the absolute right to be a nation, possessing nuclear capabilities to be used for peaceful purposes; and, it has the backing of the People's Republic of China (PRC) and Russia in this regard.

The US was awaiting a response from the Government of Iran for an eyeball-to-eyeball, political exchange in order for the countries to settle some of their differences.

In the event that it is seen that Iran remains intransigent in its determination to be a full nuclear power – which few countries in the West want to happen, including the Government of the PRC – the world would come to know the true intentions of this fundamentalist Muslim nation.

Many people saw the US offer of talks with Iran as being, exactly, that: A ploy to lure Iran out into the open, causing it to make a full and comprehensive declaration as to its intentions in respect of nuclear technology.

On The New York Mercantile Exchange (NYMEX), however, investors and speculators marked down the price of crude oil ... just in case the US, political ploy worked.

The last settlement for a barrel of light sweet crude oil for delivery in July was \$US71.29, down about 1.03 percent on Tuesday's closing level.

As for August delivery, the last settlement for a barrel of light sweet crude oil came in at \$US72.29, representing a fall of about 0.80 percent on the last settlement on Tuesday.

On Wall Street, the Iran-oil situation was only one consideration that was of concern to most professional investors.

The US Federal Reserve released its Minutes for the last Open Market Committee Meeting, which was held on May 10, 2006, and, on reading these Minutes, it seemed clear that many of the Governors of The Fed were in favour of continuing to keep the interest-rate lid, tightly in place, in order to contain inflation in the US: The stew in the pot must not be permitted to boil over.

But there were, also, those Governors who were in favour of doing nothing.

The consensus of the Governors seemed to be that The Fed would keep its options open before making a definitive commitment about the future direction of interest rates.

Markets do not appreciate uncertainty and, with the next Open Market Committee Meeting, scheduled for Thursday, June 29, 2006, quite a number of investors continued to be apprehensive.

On The New York Stock Exchange, the Dow Jones Industrial Average, after making sharp falls at the opening, reversed its direction when learning of the US Government's plans to invite Iran to the conference table.

The Dow ended the trading day at 11,168.31 points, up 73.88 points, equivalent to a gain of about 0.67 percent on Tuesday's closing level.

On The NASDAQ, its Composite Index followed suit, rising 14.14 points, or about 0.65 percent, as investors pushed it to 2,178.88 points.

News Wise

- **Sun Microsystems Incorporated** is to sack 5,000 of its employees, worldwide. That number of workers represents about 13 percent of its entire Establishment level. The paring of its workers will take place before the end of the year and will save the company about \$US590 million, annually.

In Europe, investors in this part of the world, in addition to the Iran-oil situation and concerns with regard to the Minutes of the last Open Market Committee Meeting of The Fed, there was the matter of the European Central Bank (ECB), which is due to hold an interest-rate meeting, itself, on Thursday, June 8, 2006.

Inflation in the 12-nation Eurozone is running at about 2.50 percent per annum – which is considered the trigger point for an increase in interest rates.

Eurostat, the European Union's statistical unit, announced that the inflationary level in Eurozone was at its highest level since October 2005.

And so the alarm bells were ringing on bourses in Europe and at offices of international banks.

Nevertheless, key indices of the major European bourses made gains, last Wednesday, shaving down the losses of Tuesday:

Amsterdam's AEX Index	Plus 1.31 percent
Great Britain's FTSE 100 Index	Plus 1.27 percent
Germany's Frankfurt XETRA DAX Index	Plus 1.25 percent
France's CAC 40 Index	Plus 0.74 percent
Switzerland's Swiss Market Index	Plus 0.34 percent
Italy's MIBTEL Index	Plus 1.63 percent

In Asia, Taiwan, South Korea and the Hongkong Special Administrative Region (HKSAR) of the PRC were all enjoying the festivities, associated with the Dragon Boat Festival and, as such, the equity markets of these regions were closed.

In Japan, however, it was another pounding that investors had to endure as key indices of the country's 3 equity markets came under some intense selling pressure, mainly due to the uncertainty with regard to the direction of interest rates, worldwide.

With interest rates in Europe, quite likely to rise before June is out, and with The Fed, seemingly uncertain as to its likely determination in respect of the direction of US interest rates within the next 3 weeks, it was hardly any wonder that Japanese investors decided that caution should be the watchword of the day.

On The Tokyo Stock Exchange, its TOPIX Index lost another 2.04 percent, falling back to 1,579.94 points.

The ratio of losing counters to gaining ones was about 6.82:One.

The Nikkei-225 Stock Average was down by about 2.47 percent as Japanese investors pushed it to 15,859.45 yen.

News Wise

- **ChuoAoyama PricewaterhouseCoopers** has lost more than 70 clients, of late, all of which clients are publicly listed companies, following the announcement of this firm's scandal when it was discovered that certain members of the accounting firm had been involved in the falsification of the accounts of Kanebo Ltd. The Financial Services Agency has Ordered that ChuoAoyama PricewaterhouseCoopers suspend its auditing operations, effective July 1, 2006, for a period of 2 months as punishment for its confirmed malpractice.

In other parts of Asia, this was how the key indices of those equity markets that were not closed, last Wednesday, ended their respective trading days:

The HKSAR	Closed
Indonesia	Minus 2.65 percent to 1,330.00
Japan	TOPIX Index Minus 2.04 percent to 1,579.94 Nikkei-255 Stock Average Minus 2.47 percent to 15,467.33
Malaysia	Minus 0.23 percent to 927.78
The Philippines	Minus 0.17 percent to 2,296.11
Singapore	Minus 2.36 percent to 2,383.87
South Korea	Closed
Taiwan	Closed
Thailand	Minus 0.63 percent to 709.43

Thursday

The Government of Iran responded positively to the overtures of the United States Government, saying that it would be willing to sit down at the negotiating table, but Tehran held firm in its intentions to continue to enrich uranium. (Please see Wednesday's report)

Iran's Foreign Minister, Mr Manouchehr Mattaki, was reported as stating that his country was quite willing to talk to Washington – the 2 countries have had no diplomatic communication since 1980 – but *'We (Iran) will not give up our nation's right (to the enrichment of uranium) ... we will not hold talks over that ...'*

One of the preconditions for talks between Washington and Tehran is that Iran cease and desist in its uranium-enrichment programme.

Meanwhile, in Vienna, Austria, the foreign ministers of the US, Great Britain, France, Russia and the People's Republic of China (PRC), all of whom are Permanent Members of the Security Council of the United Nations (UN), came to an agreement on breaking the deadlock between the West and Iran over Iran's continued defiance with regard to the UN's demands that the country stop uranium enrichment.

The proposals, offered to Iran, include a number of incentives, provided that that fundamentalistic country stop its uranium-enrichment programme, which is seen as a precursor to the manufacture of atomic weapons of mass destruction.

Ms Margaret Beckett, the British Foreign Secretary, told a packed news conference in Vienna:

'We – the US, Great Britain, France, Russia and the PRC – have agreed to a set of far-reaching proposals as a basis for discussions with Iran ... We are prepared to resume negotiations should Iran resume suspension of all enrichment-related and reprocessing activities as required by the IAEA (the International Atomic Energy Agency, a branch of the

UN) and we would also suspend action in the Security Council.

'We have, also, agreed that if Iran decides not to engage in negotiations, further steps would have to be taken in the Security Council ... We urge Iran to take the positive path and to consider, seriously, our substantive proposals, which would bring significant benefits.'

The ball appeared to be on the service line in the court of Iran, last Thursday, and, should this country be unable to return the ball and keep it in play, then, it looked very much as though the ploy of the US Government had been successful: Iran has no intention of trying to find a negotiated settlement in its battle with the West.

Then, from Caracas, Venezuela, came news that the **Organisation of Petroleum Exporting Countries (OPEC)** had decided to leave oil quotas unchanged and to keep pumping oil at near full capacity.

On **The New York Mercantile Exchange (NYMEX)**, last Thursday, the price of crude oil fell on the back of these international events.

For delivery in July, the last settlement for a barrel of light sweet crude oil was \$US70.34, down 1.33 percent on Wednesday's last settlement price.

As for August delivery, the last settlement for a barrel of light sweet crude oil came in at \$US71.23, representing a fall of about 1.47 percent on Wednesday's closing level.

On Wall Street, investors appeared to take heart on hearing of the positive news from Vienna and Venezuela.

On **The New York Stock Exchange**, the Dow Jones Industrial Average rose 91.97 points, equivalent to about 0.82 percent, ending the trading day at 11,260.28 points.

Over on **The NASDAQ**, its Composite Index gained 40.98 points, or about 1.88 percent, running up to 2,219.86 points.

In Europe, in the final hour of trading, there was a turnabout situation on major bourses of the region.

However, by the close of the day, the gains were only of a fractional nature, the last hour of trading, being insufficient for any of the key indices of the major bourses to record very large gains:

Amsterdam's AEX Index	Plus	0.26 percent
Great Britain's FTSE 100 Index	Plus	0.45 percent
Germany's Frankfurt XETRA DAX Index	Plus	0.25 percent
France's CAC 40 Index	Plus	0.34 percent
Switzerland's Swiss Market Index	Plus	0.53 percent
Italy's MIBTEL Index	Plus	0.34 percent

One of the many concerns in Europe was that (1) the gains on Wall Street might not be sustained for long and (2) Iran might not accede to the proposals of the biggest guns of the UN.

In Asia, one third of the region's stock markets saw their key indices, written in red ink, but those indices, which were written in black ink, were only fractionally higher.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, its 2 equity markets had the

distinction of being the largest losers in Asia.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index lost about 1.34 percent, falling back to 15,645.27 points.

The Total Turnover rose to about \$HK54.04 billion, the highest level in more than 3 years.

The reason for the volume of activity to jump to a 3-year high was due to the first day of trading in the scrip of Bank of China Ltd (Code: 3988).

About 6.13 billion shares in this massive, PRC State-controlled bank changed hands, during the day, that number of shares, representing a dollar value of about \$HK20.06 billion.

In terms of the Total Turnover, trading in this one counter was responsible for about 37 percent.

But trading in the scrip of Bank of China Ltd could not hold back the avalanche of sellers as the ratio of declining counters to advancing ones was about 3.59:One by the close of the day.

The Ten Most Actives were:

Bank of China Ltd (Code: 3988)	\$HK3.40 per share*
HSBC Holdings plc (Code: 5)	Down 1.40 percent to \$HK134.00 per share
Melco International Development Ltd (Code: 200)	Up 3.45 percent to \$HK21.00 per share
China Construction Bank Corporation (Code: 939)	Down 0.74 percent to \$HK3.35 per share
PetroChina Company Ltd (Code: 857)	Down 2.99 percent to \$HK8.10 per share
China Mobile (Hongkong) Ltd (Code: 941)	Down 1.24 percent to \$HK39.95 per share
China Life Insurance Company Ltd (Code: 2628)	Down 2.59 percent to \$HK11.30 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Up 0.12 percent to \$HK84.20 per share
CNOOC Ltd (Code: 883)	Down 2.52 percent to \$HK5.80 per share
Foxconn International Holdings Ltd (Code: 2038)	Down 3.61 percent to \$HK20.05 per share

*First day of trading

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
AviChina Industry and Technology Company Ltd	2357	14.81		0.62

China Gas Holdings Ltd	384		10.85	1.15
China Motion Telecom International Ltd	989	41.38		0.41
China National Resources Development Holdings Ltd	661	15.15		0.076
Chinese People Gas Holdings Company Ltd	681	10.20		0.54
Chitaly Holdings Ltd	1198		12.86	1.83
Dickson Concepts (International) Ltd	113		10.40	7.75
Everest International Investments Ltd	204	34.78		0.062
GFT Holdings Ltd	1003		15.87	0.053
Grandtop International Holdings Ltd	2309	11.67		0.067
INNOMAXX Biotechnology Group Ltd	340	25.93		0.34
Karl Thomson Holdings Ltd	7	10.53		2.10
Lung Cheong International Holdings Ltd	348	12.00		0.28
Magician Industries (Holdings) Ltd	526		15.25	0.10
Seapower Resources International Ltd	269		12.26	0.093
South China Brokerage Company Ltd	619		10.11	0.08
Unity Investments Holdings Ltd	913		21.88	0.25

On The **G**rowth **E**nterprise **M**arket (the GEM) of The Stock Exchange of Hongkong Ltd, it was a similar story to that, being told on the Main Board, with the exception that there was no new listing to pump up the volume of activity.

The Growth Enterprise Index recorded a loss of about 1.55 percent, dropping back to 1,143.57 points on a Total Turnover of about \$HK161.38 million.

The ratio of losers to gainers was about 1.97:One.

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

Wumart Stores Incorporated (Code: 8277)

Unchanged at \$HK22.95 per share

Shandong Molong Petroleum Machinery Company Ltd (Code: 8261)

Up 1 percent to \$HK2.05 per share

Shandong Weigao Group Medical Polymer Company Ltd (Code: 8199) Up 6 percent to \$HK4.60 per share

CASH Financial Services Group Ltd (Code: 8122) Up 2 percent to 33 cents per share

China LotSynergy Holdings Ltd (Code: 8161) Down 6 percent to 82 cents per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
CCID Consulting Company Ltd	8235		19.00	0.081
Co-winner Enterprise Ltd	8378	10.32		1.39
Everpride Biopharmaceutical Company Ltd	8019	14.63		0.047
Galileo Capital Group Ltd	8029	263.33		0.109
GreaterChina Technology Group Ltd	8032		17.65	0.07
IIN International Ltd	8128	14.29		0.032
International Entertainment Corporation	8118		11.11	4.00
Jiangsu Nandasoft Company Ltd	8045	10.00		0.176
Linefan Technology Holdings Ltd	8166	11.86		0.066
Long Success International (Holdings) Ltd	8017	15.87		0.73
Longlife Group Holdings Ltd	8037		12.90	0.27
Milkyway Image Holdings Ltd	8130		31.82	0.03
New Universe International Group Ltd	8068	25.00		0.04
Northeast Tiger Pharmaceutical Company Ltd	8197		30.00	0.042
Panorama International Holdings Ltd	8173		20.00	0.06
Recruit Holdings Ltd	8073		16.49	0.81
Thiz Technology Group Ltd	8119		57.45	0.04

Tiger Tech Holdings Ltd	8046		13.04	0.02
Universal Technologies Holdings Ltd	8091		28.00	0.072
Zhejiang Prospect Company Ltd	8273	10.26		0.86

On The Tokyo Stock Exchange, while the key indices were positive by the close of the day, declining counters outnumbered advancing ones by the ratio of about 1.30:One.

The TOPIX Index recorded a gain of about 0.29 percent, coming to rest at 1,584.56 points.

The Nikkei-225 Stock Average put on about 0.24 percent, limping up to 15,503.74 yen.

News Wise

- **Nippon Sheet Glass Company** announced that its Group Net Profit was 7.76 billion yen for its 2005-2006 Fiscal Year, ended March 31, 2006. That result was a gain, Year-On-Year, of about 2.30 percent. In terms of its core business, that of producing construction and automotive glass, the Operating Profits fell by about 29.90 percent, compared with the 2004-2005-Year. The higher cost of energy and raw materials was said to have been the chief reason for the lower Operating Profit from core activities. The company sold securities, during the Year, propping up its Bottom Line.

On other Asian equity markets, this was how their key respective indices fared, last Thursday:

The HKSAR	Minus 1.34 percent to 15,645.27
Indonesia	Minus 0.63 percent to 1,321.56
Japan	TOPIX Index Plus 0.29 percent to 1,584.56 Nikkei-255 Stock Average Plus 0.24 percent to 15,503.74
Malaysia	Plus 0.29 percent to 930.45
The Philippines	Plus 0.61 percent to 2,310.15
Singapore	Plus 0.12 percent to 2,386.70
South Korea	Minus 1.72 percent to 1,295.09
Taiwan	Plus 0.38 percent to 6,872.84
Thailand	Plus 0.12 percent to 710.30

Friday

The Iranian Government responded to the proposals of the US, Great Britain, France, Russia and the People's Republic of China (PRC), which had offered incentives to Iran if it would stop its uranium-enrichment programme and come to the negotiating table. (Please see Thursday's report)

Iranian President, Mr Mahmoud Ahmadinejad, rebuked the West, saying, inter alia:

'The efforts of some Western countries to deprive us will not bear any fruit ... The reason for their opposition is not their claim of concern over nuclear weapons, but Iran's access to the technology that means opening of the way for all independent countries, especially Islamic countries, to the advanced technology ...'.

On learning of the response from Iran to the West's repeated attempts to break the political stalemate, the price of crude oil rose – and Wall Street went into retreat again.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in July was \$US72.33, up about 2.83 percent on the last settlement on Thursday.

As for August delivery, the last settlement for a barrel of light sweet crude oil was \$US73.03, up about 2.52 percent on Thursday's final quote.

Prior to Wall Street, opening for business, last Friday, the Commissioner for The Bureau of Labour Statistics, Ms Kathleen P. Utgoff, commented on the unemployment situation in the US for the month of May 2006.

In short, what it amounted to was that the unemployment rate remains at about 4.60 percent and that, in the month of May, 75,000 jobs were created.

In the month of April, a total of 146,000 jobs were created in The Land of The Free and The Home of The Brave.

This is a verbatim transcript of the Commissioner's statement:

'Nonfarm payroll employment edged up by 75,000 in May, and the unemployment rate, at 4.6 percent, was essentially unchanged. From January through April of this year, payroll employment growth averaged 164,000 per month.

'Within the service-providing sector, health care employment continued to expand, rising by 19,000 in May. Within professional and business services, employment increased in computer systems design. Wholesale trade added 14,000 jobs in May; employment in this industry has grown by 108,000 in the past year. Over the month, employment continued to trend up in financial activities.

'Retail trade employment fell by 27,000 in May, following an even larger decline in April. Over the year, however, retail trade employment has changed little, on net. The information industry shed 13,000 jobs in May; losses were concentrated in motion picture and sound recording industries. Employment in leisure and hospitality was little changed over the month.

'In the goods-producing sector, manufacturing employment edged down by 14,000, largely offsetting an increase in April. Over the month, manufacturing hours declined by 0.1 hour, and factory overtime was unchanged.

'In May, construction employment was flat across all component industries – residential and nonresidential building, heavy construction, and specialty trade contractors. Following substantial gains in January and February, the number of jobs in construction has not changed significantly in the past 3 months.

'Elsewhere in the goods-producing sector, job growth in support activities related to oil and gas operations continued to keep mining employment on an upward trend.

‘Average hourly earnings for private sector production and nonsupervisory workers edged up by 1 cent over the month, following a 10-cent increase in April. Over the year, average hourly earnings have risen by 3.7 percent.

‘In May, the unemployment rate was 4.6 percent, down from 5.1 percent a year earlier. Over the month, the civilian labor force participation rate held at 66.1 percent. Since April 2005, the participation rate has shown little change, ranging from 66.0 to 66.2 percent.

‘In summary, nonfarm payroll employment edged up by 75,000 in May, and the unemployment rate was essentially unchanged at 4.6 percent.’

On The New York Stock Exchange, investors reacted negatively to the news from The Labour Department and of the statements, emanating from the Government of Iran.

The Dow Jones Industrial Average lost about 0.11 percent of its value, falling to 1,247.87 points.

On The NASDAQ, its Composite Index shed just 0.45 of a percentage point, ending the week at 2,219.41 points.

For the 4-day trading week, the tally for the largest equity markets of the world was:

The Dow Jones Industrial Average	Minus 0.27 percent
The NASDAQ’s Composite Index	Plus 0.41 percent

In Europe, the most-important bourses managed only fractional gains or losses as investors in this part of the world seemed determined to wait for a while before making any new commitments in order to learn what the weekend might bring.

Iran, it has been noted, has been playing its international political cards in the manner of a seasoned professional and, clearly, its President is keeping the West at bay.

But for how long can the impasse continue?

This was how the key indices of the major European bourses closed, last Friday:

Amsterdam’s AEX Index	Minus 0.60 percent
Great Britain’s FTSE 100 Index	Plus 0.25 percent
Germany’s Frankfurt XETRA DAX Index	Minus 0.36 percent
France’s CAC 40 Index	Plus 0.25 percent
Switzerland’s Swiss Market Index	Plus 0.59 percent
Italy’s MIBTEL Index	Plus 0.17 percent

In Asia, the general sentiment was much more positive, last Friday, than had been the case, earlier in the week, in direct reaction to Wall Street’s gains of Thursday.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, the territory’s 2 equity markets both added more than 1.70 percent to Thursday’s closing levels.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index rose about 1.71 percent to 15,912.71 points.

The Total Turnover on this market, which is the premier equity market of the territory, was about \$HK39.69 billion.

The ratio of advancing counters to declining ones was about 2.39:One.

The Ten Most Actives were:

Bank of China Ltd (Code: 3988)	Up 2.21 percent to \$HK3.475 per share
China Construction Bank Corporation (Code: 939)	Up 2.24 percent to \$HK3.425 per share
HSBC Holdings plc (Code: 5)	Up 1.19 percent to \$HK135.60 per share
China Mobile (Hongkong) Ltd (Code: 941)	Up 4.26 percent to \$HK41.65 per share
China Petroleum and Chemical Corporation (Code: 386)	Down 2.26 percent to \$HK4.325 per share
China Life Insurance Company Ltd (Code: 2628)	Up 3.54 percent to \$HK11.70 per share
PetroChina Company Ltd (Code: 857)	Up 1.23 percent to \$HK8.20 per share
CNOOC Ltd (Code: 883)	Up 1.72 percent to \$HK5.90 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Unchanged at \$HK14.75 per share
Sun Hung Kai Properties Ltd (Code: 16)	Up 1.70 percent to \$HK80.85 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Asia TeleMedia Ltd	376	11.29		0.069
AviChina Industry and Technology Company Ltd	2357	19.35		0.74
China Star Entertainment Ltd	326	10.00		0.385
Coastal Greenland Ltd	1124	11.29		0.69
DBA Telecommunication (Asia) Holdings Ltd	3335	12.59		1.52

eForce Holdings Ltd	943		21.88	0.05
ENM Holdings Ltd	128	10.91		0.61
Everest International Investments Ltd	204		11.29	0.055
Guangzhou Investment Company Ltd	123	11.76		1.52
Mei Ah Entertainment Group Ltd	391		10.99	0.405
New Smart Holdings Ltd	91	13.79		0.33
Orient Resources Group Company Ltd	467	177.49		0.53
Seapower Resources International Ltd	269		15.05	0.079
See Corporation Ltd	491	13.04		0.026
Wing Hong (Holdings) Ltd	745	13.16		0.043
Wing Shing International Holdings Ltd	850	12.50		0.315

Over on The **Growth Enterprise Market** (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose about 1.73 percent to 1,163.33 points.

The Total Turnover on this speculative market was about \$HK186.99 million, while the ratio of gainers to losers was about 1.97:One.

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

Techpacific Capital Ltd (Code: 8088) Up 8 percent to \$HK1.11 per share

Wumart Stores Incorporated (Code: 8277) Up 6 percent to \$HK24.30 per share

TOM Online Incorporated (Code: 8282) Unchanged at \$HK2.125 per share

Century Sunshine Ecological Technology Holdings Ltd (Code: 8276) Down 1 percent to \$HK3.80 per share

Town Health International Holdings Company Ltd (Code: 8138) Up 2 percent to 30.50 cents per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
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CCID Consulting Company Ltd	8235	23.46		0.10
FlexSystem Holdings Ltd	8050		12.50	0.063
Golding Soft Ltd	8190	22.22		0.022
IIN International Ltd	8128	25.00		0.04
Milkyway Image Holdings Ltd	8130	33.33		0.04
Q9 Technology Holdings Ltd	8129	20.00		0.03
Recruit Holdings Ltd	8073	11.11		0.90
Shine Software (Holdings) Ltd	8270	13.64		0.125
Tai Shing International (Holdings) Ltd	8103		10.00	0.45
Thiz Technology Group Ltd	8119	20.00		0.048
Tiger Tech Holdings Ltd	8046	15.00		0.023
Ultra Group Holdings Ltd	8203	11.11		0.15

For the 4-day trading week for the HKSAR's 2 equity markets, the tally was:

The Hang Seng Index	Plus	0.11 percent
The Growth Enterprise Index	Plus	1.63 percent

In Japan, investors were treated to a little bit of sweetness, following days of the bitterness as key indices on the country's 3 equity markets had fallen to the pressures of sellers.

On The Tokyo Stock Exchange, its TOPIX Index rose about 1.36 percent to end the week at 1,606.11 points.

Gainers outpaced losers by the ratio of about 1.44:One.

The Nikkei-225 Stock Average was up about 1.84 percent to 15,789.31 yen.

The tally for Asia's largest equity market was:

The TOPIX Index	Minus	0.48 percent
The Nikkei-225 Stock Average	Minus	1.14 percent

Other major Asian equity markets, also, improved, last Friday:

The HKSAR	Plus 1.71 percent to 15,912.71
Indonesia	Plus 1.98 percent to 1,347.69

Japan	TOPIX Index Plus 1.36 percent to 1,606.11 Nikkei-255 Stock Average Plus 1.84 percent to 15,789.31
Malaysia	Plus 0.03 percent to 930.72
The Philippines	Minus 0.26 percent to 2,304.17
Singapore	Plus 1.37 percent to 2,419.42
South Korea	Plus 1.08 percent to 1,309.04
Taiwan	Plus 1.26 percent to 6,959.64
Thailand	Plus 1.73 percent to 722.61

-- E N D --

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