

**ISRAEL BLOCKADES LEBANON – UNITED NATIONS PONDERES WHAT TO DO
ABOUT THE IRAN SITUATION – OIL PRICES HIT RECORD HIGHS –
PYONGYANG THREATENS ALL-OUT WAR ...
AND EQUITY MARKETS GO INTO FREE-FALL !**

The North Korean situation continued to fester, last Monday, as Pyongyang talked about an all-out war if it were pushed too hard by its enemies (!), while Japan talked about a pre-emptive strike at North Korea's missile-launching facilities as a defensive measure.

In the United Nations, discussions were taking place with a view to imposing economic sanctions on the Communistic country as a punitive measure for launching 7 ballistic missiles on Wednesday and Thursday of the previous week.

The People's Republic of China (PRC) appeared to be against all moves that could antagonise the Government of North Korea, further, but Japan was adamant, having drafted a Resolution to the Security Council of the United Nations.

On Wall Street, however, North Korea was becoming somewhat passé, old hat if you will.

On The New York Stock Exchange, its Dow Jones Industrial Average rose 12.88 points, equivalent to about 0.12 percent, ending the moderately light trading day at 11,103.55 points.

Over on The NASDAQ, its Composite Index went in the opposite direction to The Dow, losing 13.13 points, or about 0.62 percent, falling back to 2,116.93 points.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US73.61, representing a fall of about 0.65 percent, compared with the last quote on Friday, July 7, 2006.

As for September delivery, the last settlement for a barrel of light sweet crude oil came in at \$US74.71, equivalent to a fall of about 0.69 percent, compared with the previous Friday's last settlement.

Trading on major European bourses was lacklustre, in the main, as investors waited to learn what the week was likely to bring to the equity markets of the US.

The North Korean problem still lingered in the minds of many a European fund manager since, should the situation deteriorate further, it could well lead to key indices of equity markets, worldwide, going into free-fall – again.

This was how the key indices of major European bourses fared, last Monday night:

	Plus
Amsterdam's AEX Index	0.42
	percent

France's CAC 40 Index	Plus 0.58 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.43 percent
Great Britain's FTSE 100 Index	Plus 0.13 percent
Italy's MIBTEL Index	Plus 0.40 percent
Switzerland's Swiss Market Index	Plus 0.61 percent

In Asia, key indices of the most-important equity markets were mixed: Investors wanted to see what Wall Street would do when it opened its doors on Monday, New York time.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Main Board of The Stock Exchange of Hongkong Ltd managed to regain about 0.88 percent of its value, ending the trading day at 16,603.81 points.

The Total Turnover was about \$HK23.53 billion, but advancing counters only just managed to beat off declining ones by the ratio of about 1.05:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Up 1.38 percent to \$HK139.30 per share
Bank of China Ltd (Code: 3988)	Up 0.70 percent to \$HK3.575 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.81 percent to \$HK12.50 per share
China Mobile Ltd (Code: 941)	Up 0.66 percent to \$HK45.70 per share
PetroChina Company Ltd (Code: 857)	Down 1.17 percent to \$HK8.45 per share
China Construction Bank Corporation (Code: 939)	Unchanged at \$HK3.525 per share
CNOOC Ltd (Code: 883)	Up 0.79 percent to \$HK6.40 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 0.59 percent to \$HK84.15 per share
Li and Fung Ltd (Code: 494)	Up 6.95 percent to \$HK17.70 per share
Hutchison Whampoa Ltd (Code: 13)	Unchanged at \$HK71.45 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Aurora Global Investment Holdings Ltd	353	12.50		0.63
Bonjour Holdings Ltd	653	12.64		0.98
Daisho Microline Holdings Ltd	567	13.04		1.04
Hanny Holdings Ltd	275		10.79	3.10
Kiu Hung International Holdings Ltd	381	11.67		0.201
Magnum International Holdings Ltd	305	22.58		0.076
Orient Resources Group Company Ltd	467	10.64		0.52
Pan Sino International Holding Ltd	502	12.00		0.56
SunCorp Technologies Ltd	1063	14.85		1.16
United Pacific Industries Ltd	176	15.79		0.22
Wah Nam International Holdings Ltd	159		13.04	0.12
Water Oasis Group Ltd	1161		10.20	0.44
Yue Da Holdings Ltd	629	13.16		2.15
Zhong Hua International Holdings Ltd	1064		14.16	0.20

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index surrendered about 1.34 percent of its value, falling to 1,158.89 points.

The Total Turnover was about \$HK103.82 million.

Gaining counters and losing counters were tied, at One:One, exactly.

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

TOM Online Incorporated (Code: 8282)

Down 15.85 percent to \$HK1.38 per share

Techpacific Capital Ltd (Code: 8088)

Down 1.09 percent to \$HK0.91 per share

Xinjiang Tianye Water Saving Irrigation System Company Ltd
(Code: 8280)

Up 2.25 percent to \$HK2.275 per
share

Zhengzhou Gas Company Ltd (Code: 8099)

Up 4.21 percent to \$HK0.99 per share

CK Life Sciences International (Holdings) Incorporated (Code: 8222) Up 1.52 percent to \$HK0.67 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		25.00	0.06
B M Intelligence International Ltd	8158	20.00		0.036
Everpride Biopharmaceutical Company Ltd	8019		32.20	0.04
FlexSystem Holdings Ltd	8050		10.14	0.062
Global Link Communications Holdings Ltd	8060		16.67	0.05
Inno-Tech Holdings Ltd	8202		12.38	0.092
Prosperity International Holdings (Hongkong) Ltd	8139	12.31		0.73
Satellite Devices Corporation	8172	25.00		0.10
SYSCAN Technology Holdings Ltd	8083		15.56	0.038
TOM Online Incorporated	8282		15.85	1.38
Yusei Holdings Ltd	8319		21.88	1.00

In Japan, it appeared that the majority of investors in this part of the world appreciated the firm stand of its government toward North Korea, but during the first hour or so of trading on the country's 3 equity markets, the bears had the upper hand, nevertheless.

By the close of the day, however, on The Tokyo Stock Exchange, which is the premier equity market, its TOPIX Index was standing at 1,594.07 points, a gain of about 1.33 percent, compared with the closing level of Friday, July 7, 2006.

The ratio of gaining counters to losing ones was about 1.34:One.

The Nikkei-225 Stock Average, which is a much-narrower gauge to trading in blue chips, listed on the First Section of The Tokyo Stock Exchange, gained 1.60 percent, exactly, rising to 15,307.61 points.

News Wise

- **Orders for machinery** in Japan fell 2.10 percent in May, seasonally adjusted, compared with April, The Cabinet Office announced.

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

The HKSAR	Main Board Plus 0.88 percent to 16,603.81 The Growth Enterprise Index Minus 1.34 percent to 1,158.89
Indonesia	Minus 0.60 percent to 1,339.83
Japan	TOPIX Index Plus 1.33 percent to 1,594.07 Nikkei-255 Stock Average Plus 1.60 percent to 15,552.81
Malaysia	Minus 0.08 percent to 924.86
The Philippines	Minus 0.85 percent to 2,238.84
Singapore	Minus 0.27 percent to 2,438.45
South Korea	Plus 1.99 percent to 1,299.29
Taiwan	Plus 0.33 percent to 6,682.46
Thailand	Minus 0.23 percent to 684.55

Tuesday

Terrorists struck at the heart of India's financial capital, Mumbai, killing 160 people and injuring another 460 people, according to official police reports from the city.

The terrorists – no organisation had accepted responsibility, late last Tuesday night – planted at least 7 bombs on the Indian train system, those bombs, exploding almost simultaneously at about 6:30 p.m., Mumbai time, Tuesday evening.

Most of the bombs exploded on moving trains, but 2 bombs exploded in stations.

The coordinated attacks were said to be aimed at the more affluent commuters, returning home from work.

Wall Street investors dived for cover for most of the day, last Tuesday, with major Indian companies, whose shares are listed on US equity markets, suffering as investors unloaded a goodly part of their holdings in those companies.

But, a late afternoon rally pulled up key indices on the world's largest equity markets resulting in:

- The Dow Jones Industrial Average, the key index of The New York Stock Exchange, rising 31.22 points, about 0.28 percent, to 11,134.77 points; and,
- The Composite Index of The NASDAQ, rising 11.93 points, about 0.56 percent, to 2,128.86 points.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US74.16, down about three quarters of a percentage point, compared with Monday's closing level.

As for September delivery, the last settlement for a barrel of light sweet crude oil was \$US75.23, equivalent to a fall of about 0.70 percent on the last settlement of Monday.

In Europe, there were only very sketchy reports with regard to the Mumbai train bombings (the bombs exploded at about 1:00 p.m., London time) so that investors in this part of the world had not been fully apprised as to the extent of the carnage.

But there were other concerns in Europe, last Tuesday, concerns, such as technology companies, not being able to live up to investor expectations.

It had already been reported on Wall Street that Lucent Technologies Incorporated had issued an earnings' warning: How many more such warnings would follow?

Losses were widespread throughout eurozone.

This was how the key indices of major European bourses ended last Tuesday's trading session:

Amsterdam's AEX Index	Minus 0.90 percent
France's CAC 40 Index	Minus 1.36 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.58 percent
Great Britain's FTSE 100 Index	Minus 0.67 percent
Italy's MIBTEL Index	Minus 0.96 percent
Switzerland's Swiss Market Index	Minus 0.49 percent

Asia was generally weak, not because of the Mumbai terrorist attacks (which took place only after all equity markets in Asia were closed for the day), but because of uncertainty, generally, as to which way Wall Street's key indices would move, during the week.

The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) was suffering from a very disconcerting parochial situation, concerning Mr Richard Li Tzar Kai, the Number

Two Son of Mr Li Ka Shing, who announced that he would be selling his 22.66-percent stake in PCCW Ltd (Code: 8, Main Board, The Stock Exchange of Hongkong Ltd) to an old-time buddy of Mr Li Ka Shing – with Mr Richard Li Tzar Kai, funding 70 percent of the \$HK9.20-billion deal!

Minority investors took umbrage, with many of them, dumping the shares.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index fell about 0.69 percent to 16,490.13 points.

The Total Turnover was about \$HK24.19 billion, with losing counters, outnumbering gaining ones by the ratio of about 1.58:One.

The Ten Most Actives were:

Bank of China Ltd (Code: 3988)	Up 1.40 percent to \$HK3.625 per share
HSBC Holdings plc (Code: 5)	Down 0.57 percent to \$HK138.50 per share
China Life Insurance Company Ltd (Code: 2628)	Unchanged at \$HK12.50 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK8.45 per share
China Construction Bank Corporation (Code: 939)	Down 0.71 percent to \$HK3.50 per share
PCCW Ltd (Code: 8)	Down 8.11 percent to \$HK5.10 per share
China Mobile Ltd (Code: 941)	Down 0.66 percent to \$HK45.40 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 1.49 percent to \$HK82.90 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.35 percent to \$HK71.20 per share
BOC Hongkong (Holdings) Ltd (Code: 2388)	Down 0.32 percent to \$HK15.40 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Easyknit Enterprises Holdings Ltd	616	11.11		0.55
Asia Commercial Holdings Ltd	104	16.67		0.70
Asia TeleMedia Ltd	376	11.48		0.068

Aurora Global Investment Holdings Ltd	353		11.11	0.56
Celestial Asia Securities Holdings Ltd	1049	10.00		0.33
China Elegance (Holdings) Ltd	476		13.33	0.052
EC-Founder (Holdings) Company Ltd	618		10.71	0.25
Egana Jewellery and Pearls Ltd	926	16.46		1.84
Everest International Investments Ltd	204	14.55		0.063
G-Vision International (Holdings) Ltd	657		22.73	0.085
Guangdong Tannery Ltd	1058	20.54		0.27
Haywood Investments Ltd	905	16.67		0.063
INNOMAXX Biotechnology Group Ltd	340	63.86		0.68
Kiu Hung International Holdings Ltd	381	99.01		0.40
Luks Industrial (Group) Ltd	366	10.37		1.81
NewOcean Energy Holdings Ltd	342	10.13		0.87
New World Mobile Holdings Ltd	862	13.10		1.64
Oriental Explorer Holdings Ltd	430	12.50		0.054
SW Kingsway Capital Holdings Ltd	188	12.50		0.27
Swank International Manufacturing Company Ltd	663		11.40	0.101
Zhong Hua International Holdings Ltd	1064		17.00	0.166

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, although the market was relatively quiet, its Growth Enterprise Index still managed a gain of about 0.73 percent, rising to 1,167.36 points.

The Total Turnover on this market was about \$HK117.26 million.

Advancing counters scraped through with a win over declining ones at the ratio of about 1.02:One.

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

TOM Online Incorporated (Code: 8282)

Down 5.80
percent to
\$HK1.30 per

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

share
Up 5.97
percent to
\$HK0.71 per
share

Wumart Stores Incorporated (Code: 8277)

Up 0.18
percent to
\$HK28.05 per
share

Techpacific Capital Ltd (Code: 8088)

Unchanged at
\$HK0.91 per
share

T S Telecom Technologies Ltd (Code: 8003)

Up 11.32
percent to
\$HK0.295 per
share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
FX Creations International Holdings Ltd	8136		21.25	0.189
G.A. Holdings Ltd	8126		10.06	0.152
Galileo Capital Group Ltd	8029		53.33	0.042
Inno-Tech Holdings Ltd	8202	18.48		0.109
International Entertainment Corporation	8118		28.57	2.00
Jiangsu Nandasoft Company Ltd	8045	13.85		0.148
Prosten Technology Holdings Ltd	8026		10.26	0.35
Q9 Technology Holdings Ltd	8129	10.53		0.042
T S Telecom Technologies Ltd	8003	11.32		0.295
Timeless Software Ltd	8028	10.98		0.091

In Japan, there was consternation over the scheduled, 2-day Bank of Japan meeting, at which time, it was widely expected that Japan's Central Bank would raise interest rates by about 25 basis points.

On The Tokyo Stock Exchange, The TOPIX Index shed about 0.52 percent to 1,585.85 points.

Losing counters outnumbered gaining ones by the ratio of about 2.09:One.

The Nikkei-225 Stock Average shed about 0.51 percent to end the trading day at 15,473.82 yen.

News Wise

- **Chubu Electric Power Company** has lowered its Fiscal 2006 Pretax Profit by about 48.72 percent to 95 billion yen. The company is the third-largest electric utility company in the country.

And, in other Asian stock markets, this was the situation on their key indices, last Tuesday night:.

The HKSAR	Main Board Minus 0.69 percent to 16,490.13 The Growth Enterprise Index Plus 0.73 percent to 1,167.36
Indonesia	Plus 0.31 percent to 1,343.95
Japan	TOPIX Index Minus 0.52 percent to 1,585.85 Nikkei-255 Stock Average Minus 0.51 percent to 15,473.82
Malaysia	Minus 0.03 percent to 924.60
The Philippines	Plus 0.20 percent to 2,243.22
Singapore	Minus 0.92 percent to 2,415.91
South Korea	Plus 0.09 percent to 1,300.44
Taiwan	Minus 0.65 percent to 6,639.13
Thailand	Minus 0.23 percent to 684.55

Wednesday

The death toll in Mumbai, India, had risen to more than 200 people, with about 715 people, injured, according to reports, last Wednesday morning.

Still, no organisation had claimed responsibility for the carnage. (Please see Tuesday's report)

But there were other things on investors' minds, last Wednesday, other than the murders in Mumbai: The Iranian situation had flared up again, causing crude-oil prices to rise to near record levels; the increase in the US trade deficit; and, another dramatic fall in stock and share prices on Wall Street.

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US74.95, up about 1.07 percent, compared with the closing rate on Tuesday

night.

For September delivery, the last settlement for a barrel of light sweet crude oil was \$US76.06, representing an increase of about 1.10 percent on the last settlement on Tuesday.

The generally accepted reason for the gains in the price of crude oil on international markets was due to the fact that 5 Permanent Members of The Security Council of the United Nations – the US, France, Great Britain, Russia, and the People's Republic of China (PRC) – had referred the Iran situation back to The (15-member) Security Council, asking for a determination in respect of the intransigent stance of this fundamentalistic Muslim country with regard to its nuclear programme.

The move could well spark a call for economic sanctions to be put in place against Iran unless it ceases its work on uranium enrichment, which is the first step in producing a weapons-grade uranium fuel.

A package of incentives had been passed to Iran by the 5 Permanent Members of The Security Council plus Germany in May, this year.

The world powers wanted Iran to stop enriching uranium because it is widely held that the underlying reason for the uranium enrichment was that Iran is secretly desirous to become another nuclear power, complete with weapons of mass destruction.

Iran has denied this, stating that it only wanted nuclear power for the generation of electricity.

Iran is the fourth-largest exporter of crude oil in the world.

Iran is not trusted by the West to have a rational government, but one that is a theocracy, whereby the ultimate leader is the Ayatollah whose determinations are more often than not coloured by subjectivity rather than objectivity.

Just prior to Wall Street, opening its doors for business, last Wednesday, The Bureau of Economic Analysis, a department of the US Government, released its statistics with regard to the Balance of Goods and Services Trade for the month of May (this is, also, known, popularly, as the US Trade Deficit).

The following is a thumbnail précis of that release:

'The US monthly goods and services deficit widened in May 2006 ... The deficit increased from \$US63.3 billion (revised) in April to \$US63.8 billion in May, as imports increased more than exports.

Exports

'Exports of goods and services increased \$US2.7 billion in May to \$US118.7 billion, as both goods exports and services exports increased.

- *The increase in goods exports mostly reflected increases in capital goods, industrial supplies and materials, and consumer goods.*
- *The increase in services exports mostly reflected increases in business, professional, technical, and other private services, in travel, and in passenger fares.*

Imports

'Imports of goods and services increased \$US3.2 billion in May to \$US182.5 billion, as both goods imports and services imports increased.

- *The increase in goods imports was more than accounted for by an increase in industrial supplies and materials. Automotive vehicles, parts, and engines and foods, feeds, and beverages decreased.*
- *The increase in services imports mostly reflected increases in freight, port, and other transportation and in business, professional, technical, and other private services.*

‘Goods by geographic area (not seasonally adjusted)

-

- *The goods deficit with China increased from \$US17.0 billion in April to \$US17.7 billion in May. Exports increased \$US0.2 billion to \$US4.5 billion, while imports increased \$US0.9 billion to \$US22.3 billion.*
- *The goods deficit with the European Union increased from \$US9.4 billion in April to \$US10.8 billion in May. Exports increased \$US0.9 billion to \$US18.4 billion, while imports increased \$US2.3 billion to \$US29.2 billion.*
- *The goods deficit with Japan decreased from \$US7.8 billion in April to \$US7.1 billion in May. Exports increased \$US0.4 billion to \$US4.8 billion, while imports decreased \$US0.3 billion to \$US11.9 billion.’*

In the Middle East, the situation was becoming even more volatile as Israel attacked Lebanon, following the Lebanese-based, Hezbollah Group capturing 2 Israeli soldiers.

Israel holds Iran and Syria responsible for the attack on Israel since these 2 countries support Hezbollah.

Wall Street investors, beset by geopolitical problems, started to unload stocks and shares.

On The New York Stock Exchange, the Dow Jones Industrial Average dropped 121.59 points, equivalent to about 1.09 percent, as investors pushed down this key index to 11,013.18 points.

On The NASDAQ, its Composite Index gave up 38.62 points, or about 1.81 percent, ending the moderately heavy trading day at 2,090.24 points.

Ironically, in Europe, the increase in the price of crude oil on international commodity markets tended to act as a bit of fillip for European bourses, which are heavily studded with energy counters.

This was how the key indices of European bourses fared, last Wednesday:

Amsterdam's AEX Index	Plus 0.42 percent
France's CAC 40 Index	Plus 0.55 percent
Germany's Frankfurt XETRA DAX Index	Plus 0.38 percent
Great Britain's FTSE 100 Index	Plus 0.05 percent
Italy's MIBTEL Index	Plus 0.31 percent

Switzerland's Swiss Market Index	Plus 0.63 percent
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In Asia, key indices of major equity markets were split, roughly, about 50:50 with investors, picking off targets which appeared to have fallen too low too quickly.

In the Hongkong Special Administrative Region (HKSAR) of the PRC, its 2 stock markets made gains, but only fractional ones.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index rose one fifth of a percentage point to 16,522.21 points on a Total Turnover of about \$HK20.35 billion.

The ratio of losing counters to gaining ones was about 1.11:One.

The Ten Most Active counters were:

HSBC Holdings plc (Code: 5)	Down 0.07 percent to \$HK138.40 per share
Bank of China Ltd (Code: 3988)	Unchanged at \$HK3.625 per share
China Life Insurance Company Ltd (Code: 2628)	Up 0.40 percent to \$HK12.55 per share
China Mobile Ltd (Code: 941)	Up 0.66 percent to \$HK45.70 per share
Aluminum Corporation of China Ltd (Code: 2600)	Down 0.86 percent to \$HK5.75 per share
China Construction Bank Corporation (Code: 939)	Up 0.71 percent to \$HK3.525 per share
Shimao Property Holdings Ltd (Code: 813)	Up 3.79 percent to \$HK6.85 per share
PetroChina Company Ltd (Code: 857)	Up 1.18 percent to \$HK8.55 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.14 percent to \$HK71.10 per share
CNOOC Ltd (Code: 883)	Unchanged at \$HK6.40 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)
AviChina Industry and Technology Company Ltd	2357	13.89		0.82
China Financial Industry Investment Fund Ltd	1227	22.95		0.15

China National Resources Development Holdings Ltd	661	15.63		0.074
Continental Holdings Ltd	513		10.23	0.79
Digital China Holdings Ltd	861	13.98		2.65
Earnest Investments Holdings Ltd	339		12.80	0.109
Garron International Ltd	1226		18.99	0.32
Grandtop International Holdings Ltd	2309		15.24	0.089
Guangdong Tannery Ltd	1058	35.19		0.365
Haywood Investments Ltd	905		19.05	0.051
Kiu Hung International Holdings Ltd	381		17.50	0.33
Landune International Ltd	245	23.63		0.225
Morning Star Resources Ltd	542	10.71		0.062
Ocean Grand Holdings Ltd	1220		18.24	1.39
Omnicorp Ltd	94	11.32		0.59
Pacific Plywood Holdings Ltd	767	10.00		0.022
Peaktop International Holdings Ltd	925		16.67	0.085
Sun Innovation Holdings Ltd	547	11.48		3.40
SW Kingsway Capital Holdings Ltd	188		11.11	0.24
Tai Ping Carpets International Ltd	146	14.55		1.26

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index rose by about 0.12 percent to 1,168.71 points on a Total Turnover of about \$HK119.47 million.

Advancing counters were ahead of declining ones by the ratio of about 1.07:One.

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

Golden Meditech Company Ltd (Code: 8180)

Down 2.20 percent
to \$HK2.225 per
share

Techpacific Capital Ltd (Code: 8088)

Up 3.30 percent to
\$HK0.94 per share

TOM Online Incorporated (Code: 8282)

Up 4.62 percent to
\$HK1.36 per share

Nanjing Sample Technology Company Ltd (Code: 8287)

Up 0.91 percent to
\$HK11.10 per share

Shanghai Donghua Petrochemical Company Ltd (Code: 8251)

Up 13.28 percent to
\$HK2.175 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
China Chief Cable TV Group Ltd	8153	11.84		0.85
Excel Technology International Holdings Ltd	8048		17.65	0.07
Galileo Capital Group Ltd	8029	45.24		0.061
Linefan Technology Holdings Ltd	8166		13.95	0.037
Medical China Ltd	8186		14.29	0.03
Satellite Devices Corporation	8381		15.38	0.11
Shanghai Donghua Petrochemical Company Ltd	8251	13.28		2.175
SYSCAN Technology Holdings Ltd	8083		10.53	0.034
Tiger Tech Holdings Ltd	8046	14.29		0.04
Yusei Holdings Ltd	8319	18.00		1.18
Zheda Lande Scitech Ltd	8106	10.00		0.22

In Japan, there was a completely different set of circumstances, which caused indices of the country's 3 equity markets to go into reverse.

The Bank of Japan's scheduled 2-day, interest meeting was to start on Thursday and it was generally accepted that the Central Bank's zero-percent interest policy, which it has held for the past 5 years, would come to an end before the week was out.

The Bank of Japan was expected to lift the overnight call money rate to 0.25 percent and to raise the official discount rate to between 0.40 percent and 0.50 percent, up from the current rate of 0.10 percent.

On The Tokyo Stock Exchange, its TOPIX Index lost about 1.40 percent of its value, falling back to

1,563.69 points.

The ratio of losers to gainers was wide, at about 7.45:One.

The Nikkei-225 Stock Average dropped 1.45 percent, exactly, ending the trading day at 15,249.32 yen.

News Wise

- **Japan's Current Account Surplus** grew by about 15.90 percent in May, compared with the like month in 2005, The Finance Ministry reported. The Trade Balance in respect of goods and services posted a surplus of 399.60 billion yen, up about 25.20 percent, Year-On-Year.

And this was how the situation looked on other Asian equity markets, last Wednesday night:

The HKSAR	Main Board Plus 0.20 percent to 16,522.21 The Growth Enterprise Index Plus 0.12 percent to 1,168.71
Indonesia	Plus 0.14 percent to 1,345.87
Japan	TOPIX Index Minus 1.40 percent to 1,563.69 Nikkei-255 Stock Average Minus 1.45 percent to 15,249.32
Malaysia	Plus 0.39 percent to 928.23
The Philippines	Minus 0.51 percent to 2,231.68
Singapore	Plus 0.28 percent to 2,422.76
South Korea	Minus 0.29 percent to 1,296.69
Taiwan	Minus 0.08 percent to 6,634.09
Thailand	Plus 0.21 percent to 686.02

Thursday

The situation in the Middle East had become very volatile by last Thursday, as Israel imposed an air-and-sea blockade on Lebanon.

The Israeli Air Force bombed the only international airport in Lebanon, located at Beirut, making it inoperable, and gunships set alight the fuel-storage tanks.

It was reported that the dead and dying in Lebanon was mounting, hourly, but it did not stop the Hezbollah militia from firing more than 100 rockets into the city of Haifa, a coastal city in Israel, located about 30 miles south of the Lebanese border with Israel.

The attacks on Haifa were well expected to escalate the incendiary situation even further between the 2 countries.

Israel had been forced to fight on 2 fronts – in the West Bank and Lebanon – due to attacks on its outposts and the capturing of 3 members of the IDF – the **I**srael **D**efense **F**orce.

There was a general mobilisation in Israel as reserves were called up and donned the khaki battle dress of the IDF.

Israel has the largest and best-trained military force in the Middle East.

The escalation of the tensions in the Middle East caused crude-oil prices to hit record highs on international commodity exchanges.

On The **N**ew **Y**ork **M**ercantile **E**xchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August rose to the record level of \$US76.70, representing an increase of about 2.33 percent on the Wednesday's closing level.

For September delivery, the last settlement for a barrel of light sweet crude oil was \$US78.24, up about 2.87 percent on the last quote of Wednesday.

On Wall Street, investors' blood flowed down the aisles of equity markets.

The Dow Jones Industrial Average, the key index of The New York Stock Exchange, lost 166.89 points, equivalent to about 1.52 percent, falling back to 10,846.29 points.

Over on The NASDAQ, its Composite Index surrendered 36.13 points, or about 1.73 percent, dropping to 2,054.11 points.

Unimpressive corporate earnings along with the rising price of crude oil were but 2 of the factors, affecting the indices of the world's largest equity markets.

And the festering Middle East situation was not helping matters, too.

The situation on European bourses mirrored that of Wall Street, as the following **TARGET** statistics indicate:

	Minus
Amsterdam's AEX Index	1.36
	percent
	Minus
France's CAC 40 Index	1.80
	percent
	Minus
Germany's Frankfurt XETRA DAX Index	1.96
	percent
	Minus
Great Britain's FTSE 100 Index	1.63
	percent
	Minus
Italy's MIBTEL Index	1.30
	percent

Switzerland's Swiss Market Index	Minus 1.76 percent
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Europe, however, appeared to be very concerned about a potential worldwide disruption in oil deliveries because the President of Iran had warned, officially, that if Syria, which borders Lebanon, were to be attacked by Israeli forces, it would amount to a war, having broken out between Islam and Judaism/Zionism – and Iran would become involved.

Israel has, always, maintained that Iran and Syria have been supporting Hezbollah.

In Asia, with the lone exception of the equity market of The Philippines, every key index of every stock market went into reverse.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the 2 equity markets of the territory lost ground as investors scampered for the high ground – and what they perceived to be relative safety.

On the Main Board of The Stock Exchange of Hongkong Ltd, its Hang Seng Index gave up about 1.31 percent of its value, falling back to 16,305.48 points.

The Total Turnover rose to about \$HK26.90 billion.

The ratio of losing counters to gaining ones was about 3.56:One.

The Ten Most Actives were:

HSBC Holdings plc (Code: 5)	Down 1.16 percent to \$HK136.80 per share
China Life Insurance Company Ltd (Code: 2628)	Down 1.59 percent to \$HK12.35 per share
Bank of China Ltd (Code: 3988)	Down 2.07 percent to \$HK3.55 per share
China Mobile Ltd (Code: 941)	Down 2.08 percent to \$HK44.75 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK8.55 per share
China Construction Bank Corporation (Code: 939)	Down 2.13 percent to \$HK3.45 per share
Greentown China Holdings Ltd (Code: 3900)	Unchanged at \$HK8.75 per share*
CNOOC Ltd (Code: 883)	Down 1.56 percent to \$HK6.30 per share
Aluminum Corporation of China Ltd (Code: 2600)	Down 3.48 percent to \$HK5.55 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.98 percent to \$HK70.40 per share

* First day of trading

The Main Board's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Bestway International Holdings Ltd	718		10.49	0.128
China National Resources Development Holdings Ltd	661	12.16		0.083
DVN (Holdings) Ltd	500	14.86		2.125
Fortune Telecom Holdings Ltd	110		10.42	0.43
GFT Holdings Ltd	1003		21.43	0.033
Goldbond Group Holdings Ltd	172		10.26	0.175
Golden Harvest Entertainment (Holdings) Ltd	1132	12.67		0.169
Greater China Holdings Ltd	431		15.79	0.32
Kiu Hung International Holdings Ltd	381		28.79	0.235
New Island Printing Holdings Ltd	377		11.11	0.40
Ocean Grand Chemicals Holdings Ltd	2882		12.12	0.87
Orient Resources Group Company Ltd	467	11.67		0.67
Shougang Concord Century Holdings Ltd	103	14.89		0.54
SunCorp Technologies Ltd	1063		12.90	1.08
Victory Group Ltd	1139		12.00	0.132
Wah Nam International Holdings Ltd	159	13.08		0.147

On The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd, the Total Turnover fell back to about \$HK77.09 million – a falling volume of activity is, usually, a positive sign on a falling market.

The Growth Enterprise Index gave up 1.23 percent of its value, exactly, coming to rest at 1,154.34 points.

Losing counters outnumbered gaining ones by the ratio of about 2.07:One.

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

Techpacific Capital Ltd (Code: 8088)	Down 1.06 percent to \$HK0.93 per share
Wumart Stores Incorporated (Code: 8277)	Down 0.89 percent to \$HK28.00 per share
TOM Online Incorporated (Code: 8282)	Down 2.21 percent to \$HK1.33 per share
Kanstar Environmental Paper Products Holdings Ltd (Code: 8011)	Up 2.63 percent to \$HK0.39 per share
Zhengzhou Gas Company Ltd (Code: 8099)	Down 2.08 percent to \$HK0.94 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Excel Technology International Holdings Ltd	8048	14.29		0.08
GreaterChina Technology Group Ltd	8032		13.46	0.045
International Entertainment Corporation	8118		13.25	1.80
Shanghai Jiaoda Withub Information Industrial Company Ltd	8205		12.50	0.14
Medical China Ltd	8186	16.67		0.035
Nanjing Sample Technology Company Ltd	8287	10.81		12.30
SYSCAN Technology Holdings Ltd	8083	17.65		0.04
Thiz Technology Group Ltd	8119		22.50	0.031
Tiger Tech Holdings Ltd	8046		15.00	0.034

In Japan, investors were, still, awaiting the determination from The Bank of Japan in respect of interest rates. (Please see Wednesday's report)

However, the tense situation in the Middle East was akin to a chicken bone, lodged in the throat of an opera

singer, because, in the event that there was a decided disruption to the flow of oil, around the world, Japan, which imports all of its oil requirements, would be hit very hard.

On The Tokyo Stock Exchange, its TOPIX Index lost about 0.81 percent as investors pushed down this key index to 1,551.03 points.

Declining counters outpaced advancing ones by the ratio of 3.59:One, exactly.

The Nikkei-225 Stock Average, on the other hand, lost even more than the TOPIX Index, dropping about 0.99 percent to come to rest at 15,097.95 yen.

And, this was how the situation looked in other parts of Asia, last Thursday night:

The HKSAR	Main Board Minus 1.31 percent to 16,305.48 The Growth Enterprise Index Minus 1.23 percent to 1,154.34
Indonesia	Minus 0.88 percent to 1,334.03
Japan	TOPIX Index Minus 0.81 percent to 1,551.03 Nikkei-255 Stock Average Minus 0.99 percent to 15,097.95
Malaysia	Minus 0.18 percent to 926.55
The Philippines	Plus 1.34 percent to 2,261.57
Singapore	Minus 1.08 percent to 2,396.64
South Korea	Minus 0.90 percent to 1,285.02
Taiwan	Minus 1.00 percent to 6,567.60
Thailand	Minus 1.99 percent to 672.34

Friday

The conflict in the Middle East had escalated, markedly, last Friday, with the Hezbollah fighters of Lebanon, waging total war against Israel, meaning that Israeli civilians as well as members of the Israel Defense Force (IDF) were considered legitimate targets.

The escalation of the conflict caused widespread losses on equity markets, around the world, with the price of crude oil, hitting another record high.

The IDF had closed down most of the infrastructure of Beirut, the Capital City of Lebanon, knocking out power stations, bridges, roads, radio and television stations and even causing widespread destruction to any building, thought to house Hezbollah officials.

The road to Damascus was closed as it became impassable, thus cutting off an escape route for civilians or for the transportation of supplies from Syria.

The dead and dying mounted, hourly, on both sides.

On Wall Street, investors unloaded stocks and shares for the third consecutive day: Nobody appeared to be willing to take a gamble on what might happen, during the weekend of July 15-16.

On The New York Stock Exchange, the Dow Jones Industrial Average fell 106.94 points, equivalent to about 0.99 percent, ending the week at 10,739.35 points.

As for The NASDAQ, its Composite Index gave up another 16.76 points, or about 0.82 percent, dropping back to 2,037.35 points.

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

The Dow Jones Industrial Average	Minus 3.28 percent
The NASDAQ's Composite Index	Minus 3.76 percent

On The New York Mercantile Exchange (NYMEX), the last settlement for a barrel of light sweet crude oil for delivery in August was \$US77.03, up 0.43 percent, exactly, on the last settlement of Thursday.

As for September delivery, the last settlement for a barrel of light sweet crude oil came in at \$US78.81, up 0.60 percent, exactly, on Thursday's last quote.

It was a record-setting price of the black ooze.

In Europe, the major equity markets buckled under the pressure of the Middle East situation and the drop in the value of equities, listed on The New York Stock Exchange and The NASDAQ.

While there was a great deal of play in energy counters, industrials, retails and hospitality stocks, especially, were targeted by investors who unloaded large blocks of stocks and shares for fear that things could get much worse in the coming weeks.

This was how the key indices of major European stock markets closed for the week, ended July 14, 2006:

Amsterdam's AEX Index	Minus 1.39 percent
France's CAC 40 Index	Minus 1.47 percent
Germany's Frankfurt XETRA DAX Index	Minus 1.90 percent
Great Britain's FTSE 100 Index	Minus 0.99 percent
Italy's MIBTEL Index	Minus 0.90

Switzerland's Swiss Market Index	percent Minus 0.91 percent
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Tracking record-setting prices on international oil markets and Wall Street's widespread losses, Asian equity markets wilted under the heat.

In the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the key indices of the territory's 2 equity markets lost ground, but not as much as many other stock markets of the region.

On the Main Board of The Stock Exchange of Hongkong Ltd, the Hang Seng Index shed about 1.04 percent of its value, falling to 16,135.71 points.

The Total Turnover rose to about \$HK28.13 billion.

The rising volume of activity suggested, strongly, that some investors were being caught with their pants, having fallen around their ankles, and, being unable (or unwilling) to meet margin calls with more cash, were selling scrip to keep financiers happy.

The ratio of losing counters to gaining ones was 3.64:One, exactly.

The Ten Most Active counters of the day were:

HSBC Holdings plc (Code: 5)	Down 0.88 percent to \$HK135.60 per share
China Life Insurance Company Ltd (Code: 2628)	Down 1.21 percent to \$HK12.20 per share
China Construction Bank Corporation (Code: 939)	Down 0.72 percent to \$HK3.425 per share
Bank of China Ltd (Code: 3988)	Down 0.70 percent to \$HK3.525 per share
PetroChina Company Ltd (Code: 857)	Unchanged at \$HK8.55 per share
China Mobile Ltd (Code: 941)	Down 1.45 percent to \$HK44.10 per share
CNOOC Ltd (Code: 883)	Unchanged at \$HK6.30 per share
Hutchison Whampoa Ltd (Code: 13)	Down 0.57 percent to \$HK70.00 per share
Hongkong Exchanges and Clearing Ltd (Code: 388)	Down 1.61 percent to \$HK48.90 per share
Cheung Kong (Holdings) Ltd (Code: 1)	Down 0.98 percent to \$HK81.15 per share

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

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
139 Holdings Ltd	139	16.54		0.148
Bauhaus International (Holdings) Ltd	483	10.42		1.06
Benefun International Holdings Ltd	1130		16.67	0.045
China Motion Telecom International Ltd	989	13.21		0.30
China National Resources Development Holdings Ltd	661	34.94		0.112
Cosmopolitan International Holdings Ltd	120	17.65		0.12
Hongkong Parkview Group Ltd, The	207		16.67	0.20
Huafeng Textile International Group Ltd	364	13.95		0.49
Ocean Grand Chemicals Holdings Ltd	2882		28.74	0.62
Ocean Grand Holdings Ltd	1220		20.47	1.01
Omnicorp Ltd	94		11.86	0.52
Premium Land Ltd	164		10.17	0.265
South East Group Ltd	726	14.67		0.086
Takson Holdings Ltd	918		10.00	0.081
Tonic Industries Holdings Ltd	978	10.00		0.165
Wonson International Holdings Ltd	651		10.00	0.09
Yue Da Holdings Ltd	629	17.98		2.625
ZZNode Technologies Company Ltd	2371		10.00	0.45

On The **G**rowth **E**nterprise **M**arket (The GEM) of The Stock Exchange of Hongkong Ltd, its Growth Enterprise Index surrendered about 0.49 percent of its value, dropping to 1,148.64 points on a declining volume of activity.

The Total Turnover was about \$HK70.59 million, while declining counters outpaced advancing ones by the ratio of 1.50:One, exactly.

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

T S Telecom Technologies Ltd (Code: 8003)	Down 8.62 percent to \$HK0.265 per share
Wumart Stores Incorporated (Code: 8277)	Up 0.54 percent to \$HK28.15 per share
Xinjiang Tianye Water Saving Irrigation System Company Ltd (Code: 8280)	Down 3.45 percent to \$HK2.10 per share
Shandong Weigao Group Medical Polymer Company Ltd (Code: 8199)	Down 2.13 percent to \$HK4.60 per share
Tiger Tech Holdings Ltd (Code: 8046)	Up 123.53 percent to \$HK0.076 per share

The GEM's biggest movers of the day included:

Name of Company	Code	Increase (%)	Decrease (%)	Closing Price (\$HK)
Galileo Capital Group Ltd	8029	98.41		0.125
Info Communication Holdings Ltd	8082		10.00	0.072
Nanjing Sample Technology Company Ltd	8287	13.82		14.00
Tiger Tech Holdings Ltd	8046	123.53		0.076
Tradeeasy Holdings Ltd	8163	14.71		0.039
Vodatel Networks Holdings Ltd	8033		13.04	0.10

The tally for the 2 equity markets of the HSKAR for the week, ended July 14, 2006, was:

The Hang Seng Index	Minus 1.97 percent
The Growth Enterprise Index	Minus 2.21 percent

In Japan, while record-high, crude-oil prices continued to dog the country's 3 equity markets, closer at home, The Bank of Japan raised its key interest rates by 25 basis points to 0.25 percent.

The 5-year, zero, interest-rate '*honeymoon*' was over.

In addition, The Central Bank boosted the official Discount Rate – the rate that banks charge each other for overnight lending, also known as the Interbank Rate – was raised from 0.10 percent to 0.40 percent.

Investors in Japan had been expecting, exactly that which came to pass: No shocks.

On The Tokyo Stock Exchange, the key gauge of Asia's largest equity market, known as The TOPIX Index, fell by about 1.89 percent to 1,521.71 points.

Losing counters trounced gaining ones by the ratio of about 9.14:One.

The Nikkei-225 Stock Average lost about 1.67 percent of its value, ending the trading day at 14,845.24 yen.

For the week, the tally for Asia's largest equity market was:

The TOPIX Index	Minus 3.27 percent
The Nikkei-225 Stock Average	Minus 3.02 percent

This was the extent of the losses on other Asian equity markets, last Friday:

The HKSAR	Main Board Minus 1.04 percent to 16,135.71 The Growth Enterprise Index Minus 0.49 percent to 1,148.64
Indonesia	Minus 2.28 percent to 1,303.59
Japan	TOPIX Index Minus 1.89 percent to 1,521.71 Nikkei-255 Stock Average Minus 1.67 percent to 14,845.24
Malaysia	Minus 1.39 percent to 913.63
The Philippines	Minus 2.27 percent to 2,210.15
Singapore	Minus 1.38 percent to 2,363.55
South Korea	Minus 2.33 percent to 1,255.13
Taiwan	Minus 2.13 percent to 6,428.03
Thailand	Minus 1.60 percent to 661.59

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