

**MR INVESTOR :
OFF TO A CRACKING START ON
THE STOCK EXCHANGE OF HONGKONG LTD**

Tuesday, February 8, of the Year of the Dragon got off to a cracking start on The Stock Exchange of Hongkong Ltd even though the dragon-gods saw fit to send down a bolt of lightening, in the form of a one-minute power stoppage, throughout the 416 square miles.

The Hang Seng Index gained 260.61 points to hit 16,228.73 on a Total Turnover of \$HK18.49 million.

Top of the Pops on the Ten Most Active List was HSBC Holdings plc, the share price of which lost about 2.50 percent, compared with the previous Thursday's closing level (the stock market was closed from last Thursday night, February 3, to Tuesday morning, February 8), coming to rest at \$HK89 per share for a \$HK2.25 per share fall.

The volume of activity in trading in the shares of HSBC Holdings plc accounted for about 9.25 percent of the Total Turnover.

Pacific Century CyberWorks Ltd, the Li Ka Shing, hi-tech investment company, came next in line as the most active issue with about \$HK1.47-billion worth of its shares, changing hands. But, unlike HSBC Holdings plc, its share price rose 11.39 percent, or \$HK2.20 per share, to close at \$HK21.50 per share.

The volume of activity in this counter accounted for about 7.95 percent of the Total Turnover.

The aggregate value of trading in the Top Ten was equal to about 43.27 percent of all trading on The Stock Exchange of Hongkong Ltd.

With Mannesmann's capitulation to Vodafone AirTouch, it was hardly any wonder that Hutchison Whampoa Ltd was one of the favourites of investors since Hutchison, with its 10.01-percent stake in Mannesmann, is in one of the best positions to benefit from the takeover because it will, now, hold about 5 percent of the enlarged company.

That 5-percent stake is equal to the extent of the national treasuries of many an African nation.

The share price of Hutchison rose \$HK3 per share to close at \$HK118.50 per share, after hitting an intra-day high of \$HK119.50 per share. A total of 5.92 million shares in Hutchison changed hands, representing a turnover of about \$HK694.53 billion in that counter.

The trading pattern in the HKSAR on Tuesday flew in the face of trading in New York on Monday where the Dow Jones Industrial Average dropped 58.01 points to 10,905.79, and the NASDAQ put on another 76.04 points, coming to rest at 4,320.54 -- another record close for the NASDAQ.

Statistics indicate that, while the NASDAQ has risen about 5 percent since the beginning of the year, the Dow has shed a similar percentage amount.

In Japan, The Tokyo Stock Exchange was hit with a barrage of sellers, with the result that the Nikkei-225 fell 76.55 points to 19,868.88.

Banks led the parade of losers, following the interest-rate hike in the US, the previous week.

Losers outnumbered gainers by a ratio of 1.68:One.

The Japanese yen fell to a 5-month low against the US dollar on international foreign currency exchanges with suggestions that the Japanese economy was getting sick – again.

The yen fell to about 109.37 against the US dollar, down from 108.61 yen in late New York trading on Monday. Against the Euro, it fell to 108.07, down from 106.60.

In other stock markets in the region, this is the way that Asian investors perceived the first day of the Dragon Year:

Thailand	Minus 1.28 percent
Indonesia	Minus 1.03 percent
Malaysia	Plus 2.23 percent
The Philippines	Plus 1.44 percent
South Korea	Minus 1.22 percent
Singapore	Minus 0.58 percent
Taiwan	Plus 1.14 percent
Japan	Minus 0.38 percent

Wednesday

The Total Turnover on The Stock Exchange of Hongkong Ltd hit its highest level since the middle of 1997, and was close to a record level, at \$HK25.69 billion, as the Hang Seng Index powered its way toward the 17,000 level.

The morning session closed at 16,897.06, up 668.33 points, or 4.12 percent, compared with the close of trading on Tuesday.

The afternoon, 90-minute trading session saw profit-takers step in, shaving down The Index to 16,819.46 for a 590.73-point gain, for a 3.64-percent improvement, compared with Tuesday's close.

Interest was centred, yet again, on Internet counters and telecommunications issues, with China Telecom (Hongkong) Ltd, Pacific Century CyberWorks Ltd and Hutchison Whampoa Ltd, being the 3 '*darlings*' of investors.

The Top Ten Most Active Issues accounted for about 36.90 percent of the Total Turnover, with the 3 Most Active Issues accounting for 16.54 percent of the Total Turnover.

Helped by what was taking place in the US, where the New York Stock Exchange was going from one record level to another, investors in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) appeared to be certain that their Asian '*ship*' had come to port, too.

The price of Hutchison Whampoa Ltd hit a record level of \$HK128 per share, a gain of about 8 percent, compared with Tuesday's close.

(It stands to have its Net Tangible Assets boosted by about \$HK50 billion, thanks to the Mannesmann+Vodafone AirTouch merger)

Hutchison's parent, Cheung Kong (Holdings) Ltd, flew with the rest of the stock-market birds, rising 4.29 percent to hit \$HK109.50 per share.

Cable and Wireless HKT Ltd, however, fell 50 cents per share to close at \$HK16.85 per share on fears of its future at the hands of the Singapore Government (it is about to merge with an entity, controlled by the Lee Kuan

Yew/Singapore Government).

There was no special news, propelling share prices on The Stock Exchange of Hongkong Ltd: It was, strictly, speculation – something that Chinese investors love.

In Japan, The Nikkei-225 broke through the 20,000 barrier with a 138.89-yen gain to close the day at 20,007.77.

Tokyo follows Wall Street, very closely, so that the Tuesday record close on the NASDAQ, at 4,427.50, a gain of about 2.45 percent over Monday's level, was impetus enough for Japanese investors.

Unlike the HKSAR stock market, however, investor interest in Japan was much more widespread, with brokerage firms and trusts, reaping benefits from Tuesday's trading.

Not that Internet and high-flyers were forgotten, however, with Softbank Corporation, leading the way, managing a 7.20-percent gain on the day, closing at 134,000 yen.

Another Japanese preferred issue, Sony Corporation, continued its claim to fame, rising another 420 yen to close the day at 29,570 yen, an increase of about 1.44 percent, compared with Tuesday's closing level.

Casio Computer Corporation, normally a '*quiet*' counter, suddenly sprang to life with a 15.73-percent improvement over Tuesday's close on news that Vodafone AirTouch plc was developing mobile multimedia products, and terminals with Internet capabilities, in conjunction with Casio.

Casio closed the day at 1,170 yen, up about 15.73 percent or 159 yen.

The weakness of the yen vis-à-vis other '*hard*' currencies will have a positive effect on many companies, operating out of Japan, to be sure, but there are grave concerns that the Japanese economy is on the path to another recession.

By the looks of last Wednesday's market, one could hardly believe that there were any worries in the Land of the Rising Sun.

Not all other Asian stock markets fared as well as Japan and the HKSAR, however, as the following indicates:

Thailand	Minus 2.13 percent
Indonesia	Plus 0.40 percent
Malaysia	Plus 1.31 percent
The Philippines	Plus 0.63 percent
South Korea	Plus 1.54 percent
Singapore	Minus 0.82 percent
Taiwan	Plus 1.55 percent
Japan	Plus 0.70 percent

Thursday

The big news, last Thursday, was the blood and guts, spilled on The New York Stock Exchange on Wednesday, New York time.

The Hang Seng Index fell like a rock at the opening bell, on Thursday morning, losing more than 300 points at one point in the trading session, but avalanches of buyers, anxious to pick up their favourite shares, pushed The Index back on the track of Wednesday's bullish session in the HKSAR when a 3.64-percent rise in The Index was registered.

As a result, the Hang Seng Index finished the entire 4-hour, trading session, last Thursday, at 16,845.17, a gain of 25.71 points over Wednesday's close.

The factor that shook the HKSAR stock market to its proverbial bootstraps was what had taken place on Wall Street on Wednesday when the Dow Jones Industrial Average recorded a 2.40-percent loss, compared with Tuesday's trading session, with The Dow, falling to 10,699.16.

A total of 26 constituent stocks of the 30 constituent stocks, that make up The Dow, registered losses.

The narrower gauged index, the NASDAQ, fell in sympathy with The Dow, losing 1.50 percent of its value.

These were the biggest losses to be recorded in one day's trading for some time.

Microsoft Corporation was the target of a great deal of selling pressure as more than 5 percent of its market value was eroded, following a report that the European Commission (EU) was investigating the company with a view to determining whether or not the recently released operating system, Windows 2000, was designed to give the company an unfair advantage over competitors.

This is not the first time a monopolies commission has investigated Microsoft: The company has been dubbed by the US Government as having been very naughty in the past.

On The New York Stock Exchange, losers outnumbered gainers by a ratio of 2:One.

A factor, which knocked some of the stuffing out of The Dow, was confirmation that Saudi Arabia, Venezuela and Mexico, 3 large, oil-producing countries, would boost oil production – and sell the oil to the highest bidder.

Asia is quite used to seeing Wall Street go through gyrations, of one kind or another, but one day, it must come to pass that The Dow will head south – and that will, most assuredly, affect trading in Asian markets.

On Thursday, in Exchange Square, it was, just about, the same old story, with the Ten Most Active Issues, accepting responsibility for the lion's share of the trading.

The Top Ten accounted for nearly 40 percent of the Total Turnover of \$HK24.47 billion.

The ratio of losers to gainers was 1.35:One.

One small factor, already discounted in the prices of many counters, was the expected 25-basis-point rise in interest rates, expected in the HKSAR for the following Monday, February 14 (The Hongkong Association of Banks was scheduled to meet last Friday).

Banks in the HKSAR are awash with cash, with takers, few and far between, it seems.

Shares of HSBC Holdings plc continued to come under pressure, as did its subsidiary, the largest Chinese bank in the HKSAR: Hang Seng Bank Ltd.

In Japan, the Nikkei-225 followed Wall Street on Wednesday, giving up 297.75 points to 19,710.02, about 1.49 percent.

The ratio of losers to gainers on The Tokyo Stock Exchange was about 2.64:One.

For a change, Sony Corporation came under fire, and its market capitalisation fell about 2.91 percent as the share price came to rest at 28,710 yen, a loss of 860 yen on the day's trading.

The scrip of Fujitsu was another loser, falling 60 yen per share to 3,730 yen per share.

Of the 8 major bourses in Asia, 5 bourses were in retreat and 3 bourses bucked the trend:

Thailand	Minus 0.76 percent
Indonesia	Plus 1.08 percent
Malaysia	Plus 0.58 percent
The Philippines	Minus 1.32 percent
South Korea	Minus 1.01 percent
Singapore	Minus 0.09 percent
Taiwan	Plus 0.49 percent
Japan	Minus 1.49 percent

Friday

The story, last Friday, was all Cable and Wireless HKT Ltd and the prospects of the Li Ka Shing Camp, putting in its oar in an attempt to put a crab in the Singapore boat: Singapore Telecommunications Ltd (SingTel).

London-based Cable and Wireless plc, the parent company of Cable and Wireless HKT Ltd, owning about 54.50 percent of the Issued and Fully Paid-Up Share Capital of the HKSAR's (once) giant telecommunications company, has been in talks with SingTel since last October over the proposed sale of the HKSAR subsidiary.

The proposed sale of Cable and Wireless HKT Ltd to SingTel was considered logical as well as being a merger of equals, as far as the *'parent'* was concerned.

It, also, got the HKSAR monkey off Cable and Wireless's back, so to speak, allowing the *'parent'* to do what it does best, without being hamstrung by its Oriental mistakes.

However, entering the fray is The Bank of China Group, which appears to be backing the Li Ka Shing Camp in putting together a bid in an attempt to outmanoeuvre the Singapore Government's proposals of merging Cable and Wireless HKT and SingTel.

Pacific Century CyberWorks Ltd, the Internet investment company, headed by Mr Richard Li Tzar Kai, a son of Mr Li Ka Shing, is the publicly listed company, fronting the forthcoming bid, which was still in the making, last Friday night.

Cable and Wireless plc is looking for cash from SingTel, and confirmed, only, last Friday night, that it was told that a bid could be forthcoming from the Li Ka Shing Camp.

If the Pacific Century CyberWorks's bid is presentable and is an improvement, in terms of price, over the SingTel merger bid, Cable and Wireless plc may be forced to accept it since not to accept it could be construed as being a fraud on minority shareholders of Cable and Wireless plc.

It would appear that the Government of the People's Republic of China is not exactly enamoured at the prospects of having one of the largest and most important of the HKSAR's telecommunications companies fall into the hands of a foreign power – Singapore.

Hence, the backing of The Bank of China Group for the forthcoming Li Ka Shing proposals.

Back in Exchange Square, The Stock Exchange of Hongkong Ltd was in for a merry spin, last Friday, with the Hang Seng Index, gaining 535.13 points by the close of trading, coming to rest at the week's end at 17,380.30 on a Total Turnover of about \$HK32.88 billion.

But the close was by no means the high spot of the day. That came mid-morning when The Index was registering gains in excess of 650 points.

Citic Pacific Ltd, an investment vehicle of the PRC Government, saw more than 122.73 million of its shares change hands. It was the most active issue, hitting top of the pops for the first time.

The turnover of this counter, alone, accounted for nearly \$HK5 billion of the Total Turnover, equal to about 15.15 percent of the total volume of activity.

The interest in Citic, no doubt, was due to the Cable and Wireless HKT talk since it is well known that if The Bank of China Group is involved, there will be Citic.

The Ten Most Active Issues represented about 46 percent of the Total Turnover for the day.

The biggest gainer, last Friday, was, of course, Cable and Wireless HKT Ltd, the share price of which rose 22.60 percent to \$HK21.65 per share.

Hutchison Whampoa Ltd, which along with its *'parent'*, Cheung Kong (Holdings) Ltd, announced that it was not involved in the Pacific Century CyberWorks's proposed negotiations for Cable and Wireless HKT Ltd, rose, nevertheless, 8.39 percent – about \$HK11 per share – to \$HK142 per share, while Cheung Kong gained another 7.14 percent – about \$HK8 per share -- to close at \$HK120 per share.

But it was not all gold for shares, listed on The Stock Exchange of Hongkong Ltd, last Friday, because Dao Heng Bank Group Ltd continued to come under heavy selling pressure, pulling down its share price by another 4.79 percent, to \$HK31.80 per share.

Since the beginning of this year, the price of Dao Heng Bank Group shares has fallen from \$HK40.30 to last Friday's rate, a loss of about 20.58 percent of its market capitalisation.

In contrast, Hutchison Whampoa Ltd has seen its market capitalisation rise 42 percent in the same period of time.

Aside from The Stock Exchange of Hongkong, it was announced by The Hongkong Association of Banks that interest rates would rise by 25 basis points, effective today.

This matches the rise in US interest rates, announced the previous week by the US Government's Federal Reserve Board.

Japan was closed last Friday for National Foundation Day.

On other Asian stock exchanges, this is how they closed the week:

Thailand	Plus 0.67 percent
Indonesia	Minus 0.65 percent
Malaysia	Plus 0.22 percent
The Philippines	Minus 1.14 percent
South Korea	Minus 1.34 percent
Singapore	Plus 0.43 percent
Taiwan	Plus 0.71 percent
Japan	Closed

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