

**THE STOCK EXCHANGE OF HONGKONG LTD :
NOT FOR THE FAINT OF HEART**

Last Monday, the question was: How many tens of billions of dollars had been lost in the previous 4 trading days in stock markets, around the world?

The answer: Only the near-term future will be able to tell.

However, some people were not waiting for the penny to drop. They were taking very definitive action before the cupboard became bare.

Many banks, located in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), must have been sweating it out, last Monday, when they realised the extent of the spilled blood, which saturated offices of many HKSAR stockbrokerage firms.

Because the Hang Seng Index, the supposed barometer of the health of The Stock Exchange of Hongkong Ltd, went into another steep decline at the opening bell, signalling another week of trading of stocks and shares and bonds.

The Hang Seng Index fell like the proverbial lead balloon, losing 309 points by the luncheon bell; and, then adding to its earlier losses, falling another 204 points in the 90-minute afternoon session.

At the end of the mad rush to sell, the Hang Seng Index was registering a loss of 513.61 points, or about 2.95 percent, compared with the previous Friday's closing level.

The Total Turnover was about \$HK10.66 billion, perhaps a good sign, indicating that some people were holding out as share prices fell, hoping for a reversal of fortunes.

The Top Ten Most Active issues accounted for about 53.47 percent of the Total Turnover, with HSBC Holdings plc, leading the pack as more than 16.22 million shares changed hands, equal to a turnover in that counter of about \$HK1.44 billion, or about 13.51 percent of the Total Turnover.

HSBC Holdings announced that it had agreed to pay 11 billion euros (about \$HK81.50 billion) to buy Credit Commercial de France, said to be the 7th largest bank in France.

It was only a few months ago that HSBC Holdings had gobbled up Republic National Bank of New York for about \$HK76.63 billion.

Credit Commercial de France is said to have more than one million customers in 650 branches throughout France, with about \$HK500 billion under its control.

Investors in the HKSAR appeared not to like the news and many sold their shares in HSBC Holdings, resulting in the share price, slipping about 6 percent from the high point of \$HK92.50 per share, closing at \$HK87.50 per share, after hitting a low of \$HK87.25 per share.

Pacific Century CyberWorks Ltd took a wallop, also, shedding nearly 8 percent of its market capitalisation, falling to \$HK16.50 per share, the lowest point of the day -- and the share price's lowest level since early January.

There was not one particular reason for the fast drop in the price of this counter, but there were numerous reasons that one could ascribe to the price decline of this leader of the speculative issue counters of the HKSAR:

1. The general sell-off of hi-tech shares and Internet-related stocks, worldwide;
2. The nagging fear that many of the speculative issues, especially in the hi-tech and Internet sectors of stock markets, could soon run out of money -- and steam;
3. The loss of about 9 percent in the stock price of the world's largest software manufacturer, Microsoft Corporation, last Monday in Europe, due to Management's inability to cut a deal with the US Government with regard to the determination in the landmark antitrust suite;
4. The general '*shaving*' of share prices of Internet issues and Internet investment issues, such as Softbank Corporation, this one in particular, having lost more than 50 percent of its market capitalisation in the previous 6 weeks; and,
5. Confirmed news that inflation is creeping out of the woodwork in the US.

There was, also, a nagging little problem in the PRC where it was reported, over the weekend of April 1-2, that Mr Juergen Pfrang, the 51-year-old Deputy General Manager of a Mercedes Benz joint venture, had been stabbed to death, along with his wife and 2 children.

Things are, still, not very safe in the PRC, of that there can be no question, even with residential guards, supposedly there to protect one, as was supposed to have been the case with regard to the Pfrang Family.

All of the above conspired to undermine confidence in share prices in the HKSAR, last Monday.

Losers outnumbered gainers by the convincing ratio of nearly 9:One, with 212 counters, seemingly unmoved by the widespread sell-off.

China Telecom (Hongkong) Ltd was hit hard as its share price fell about 2.60 percent to \$HK66.50, while the share price of Hutchison Whampoa Ltd -- it has extensive investments in hi-tech ventures and telecommunication companies -- dropped about 2.14 percent to \$HK137.50 per share, after hitting a low of \$HK136.50 per share.

Cable and Wireless HKT Ltd, soon to be part of the Li Ka Shing Empire, was felled to the extent of nearly 8 percent, as its share price slipped to \$HK19.15.

On The Growth Enterprise Market -- The GEM -- there was a dramatic sell-off, with The Growth Enterprise Index, falling 13.08 percent to 772.60 points.

The Total Turnover on this market was about \$HK670.24 million, with trading dominated by just one counter: tom.com Ltd.

This counter accounted for about 48.32 percent of the Total Turnover, as about 33.48 million tom.com shares changed hands, with the share price, falling to \$HK8.85, a drop of about 16.20 percent, compared with the previous Friday's closing level.

Sunevision Holdings Ltd was next in line for a shave, as its share price fell from a high of \$HK13.20, to a low of \$HK11.30, a swing of about 14.39 percent. It was the second most active counter on this market, and its trading activity represented about 26.32 percent of the total volume of activity.

Therefore, 74.64 percent of the total volume of activity on The GEM could be attributed to just 2 counters.

However, the final word about this market should go to newcomer to The GEM, iMerchants Ltd, also a company with nothing but hot air, holding it up.

A total of 57.54 million iMerchants's shares changed hands, last Monday, representing a turnover in this counter of about \$HK73.40 million, or about 10.95 percent of the Total Turnover.

And its share price dropped to \$HK1.03, down from the previous week's Offer Price of \$HK1.48 per share.

For the lucky investors, who put up money for these shares, they were looking at a loss of about 30 percent in 2 trading days.

Losers on The Gem outdid gainers by the ratio of 16:One.

In Japan, the Nikkei-225 put on 389.67 points to 20,726.99 in spite of large losses in counters, such as Softbank Corporation.

The ratio of gainers to losers on this market was about 1.53:One.

Although, like the rest of the world, Internet-related issues came under fire, banking issues rose in response to a Japanese Government report, The Tankan Survey, which indicated that there was a great deal of optimism among Japanese businessmen in respect of the medium-term and long-term future of the Japanese economy.

Probably, on the strength of this news, Sumitomo Bank Ltd gained 6.30 percent, while Sanwa Bank Ltd put on another 3.80 percent.

A usually rather quiet issue, Mitsubishi Materials Corporation, suddenly sprang to life, gaining 11.70 percent of its market capitalisation, and NKK Corporation, a producer of steel and a leader in its field in The Land of The Rising Sun, saw its market capitalisation rise about 6 percent, along with its rival, Nippon Steel Corporation, which tacked on 4.90 percent.

There was no other news of any special importance that affected trading in Tokyo, which appeared to be more than a little happy over its Government's Tankan Survey of business confidence.

In the US, it was announced that Americans are spending faster than ever before, twice as fast as their incomes, in fact.

Whenever one spends more than one earns, one is courting disaster.

And when country spends more than it earns, it is inflationary.

No doubt, the US Federal Reserve would have taken note of this; and, the fact that its attempts at belt-tightening had yet to bear any fruit.

The gains, made on The Tokyo Stock Exchange, were the only positive indications in Asian stock markets, last Monday, as the following indicates:

Thailand	Minus 0.14 percent
Indonesia	Minus 2.12 percent
Malaysia	Minus 0.92 percent
The Philippines	Plus 0.39 percent
South Korea	Minus 1.68 percent
Singapore	Minus 2.86 percent
Taiwan	Closed
Japan	Plus 1.98 percent

Tuesday

Microsoft Corporation was the news that hugged international headlines, following a Ruling by District Judge Thomas Penfield Jackson that Microsoft had violated Section 2 of the Sherman Antitrust Act.

In short, Microsoft had abused its financial and technological powers with regard to its Windows Operating System, et al, and had attempted to monopolise such things as the web browser market.

The share price of Microsoft fell out of bed, losing \$US15.375 per share (about \$HK120) in after-hours trading, around the world.

Microsoft is the largest producer of software for the Personal Computer market in the world so that what happens to Microsoft can impact on other companies in the same, or similar, fields.

While the HKSAR, and some other parts of Asia, took a breather in order to celebrate the public holiday, the Ching Ming Festival, a time for loved ones to show respect for their departed, it was announced, by The Securities and Futures Commission (SFC), that Jolly First Capital, a stockbrokerage firm in the HKSAR, had suspended trading in stocks and shares on The Stock Exchange of Hongkong Ltd.

It appeared that, for the previous 3 weeks or so, a dealing director had been absent from his desk.

And the dealing director was said to own 50 percent of the firm.

While this firm is/was relatively small, with only about 400 clients, one cannot help but wonder whether or not this is just the beginning: Will other worms start to crawl out of the stock-market woodwork?

It was only in February that Win Successful collapsed after Mr Albert Au Wai Man was arrested by the Hongkong Police on suspicion of being very naughty with regard to clients' assets.

In Japan, the country's largest mobile telephone operator, NTT Mobile Communications Network Incorporated, sought permission from the Japanese Government to issue corporate bonds with a value of up to \$HK78 billion.

The Nikkei-225, the benchmark of The Tokyo Stock Exchange, took a smallish pounding, losing 132.06 points, about 0.60 percent, falling to 20,594.93.

Japanese investors headed for cover in view of the Microsoft Ruling and the fact that the NASDAQ Composite Index, the previous Monday, had shed a record-breaking 8 percent.

There was, also, the worrying Japanese Government aspect in respect of the failing health of the Prime Minister, Mr Keizo Obuchi, who had suffered a stroke the previous Monday.

Sony Corporation came under fire, losing about 1.60 percent of its market capitalisation, while telecommunications giant, Nippon Telegraph and Telephone Corporation, was not spared as its market capitalisation gave up 2.40 percent.

The emphasis on Japan's premier stock exchange was, what has come to be known as, '*Old Japan*' stocks, with Honda Motor Company, up 2.40 percent, while Toyota Motor gained 0.40 percent.

An outstanding performer was Ricoh Company Ltd, which saw its stock price rise 5 percent, following a company announcement that it expected Net Profits for the Financial Year, ending March 31, 2001, to rise to the record level of about \$HK3.50 billion.

With the stock markets of the HKSAR, Indonesia and Taiwan closed, Asia was relatively quiet, relative, that is, to the excitement of the previous days' trading activities:

Thailand	Minus 1.76 percent
Indonesia	Closed

Malaysia	Minus 0.50 percent
The Philippines	Minus 0.34 percent
South Korea	Minus 1.92 percent
Singapore	Minus 0.63 percent
Taiwan	Closed
Japan	Minus 0.64 percent

Wednesday

China Telecom (Hongkong) Ltd accounted for nearly 13 percent of the total volume of activity, last Wednesday, as more blood gushed onto the floors of The Stock Exchange of Hongkong.

The Hang Seng Index shed 574.49 points, or about 3.40 percent, coming to rest at 16,318.44 points on a Total Turnover of about \$HK16.30 billion.

It closed at the lowest point of the day.

Last Wednesday's losses represented the worst 5-day fall in stock-market prices on The Stock Exchange of Hongkong Ltd since about September 1998.

The stock exchange of the Hongkong Special Administrative Region (HKSAR) was reacting, most violently, to what was happening in other parts of the world, and especially on Wall Street where the NASDAQ Composite Index had registered a loss of about 16 percent in 7 trading days to last Wednesday, New York time.

The Ten Most Active issues, led by China Telecom, which counter saw about 33.99 million shares traded with the price of the scrip, falling about 9.40 percent to \$HK60.25, after hitting a low of \$HK59.50, represented just shy of 60 percent of the Total Turnover.

Pacific Century CyberWorks Ltd, the Li Ka Shing Internet investment company, got it in the neck, too, as its share price fell to \$HK14.95, a drop of about 11 percent.

It had hit an intra-day low of \$HK14.50 per share and was the second most-active issue of the day, representing about 12.88 percent of the entire volume of activity.

Losses were just about across the board.

Even the mighty HSBC Holdings plc was not spared the bloodbath as its share price was felled about 3 percent, falling, at one point, to a low of \$HK86.50 per share.

It was the fourth, most-actively traded counter and represented about 6.32 percent of the Total Turnover.

Other losers included Hutchison Whampoa Ltd, off 4.73 percent to \$HK131 per share (it had hit bottom at \$HK129 per share, during the morning session), Cable and Wireless HKT Ltd, down 4.79 percent to \$HK17.90 per share, and Cheung Kong (Holdings) Ltd, slumping 8.18 percent to hit \$HK101 per share.

It was interesting to note that 3 of Mr Li Ka Shing's publicly listed entities represented nearly 28 percent of the total volume of activity and must have contributed at least 30 percent of the fall in the Hang Seng Index.

Losers outpaced gainers by a ratio of about 7:One.

On The Gem -- The Growth Enterprise Market -- the Growth Enterprise Index shed 13.84 percent, coming to rest at 665.65 on a Total Turnover of \$HK962 million.

tom.com Ltd, the most active issue, shed nearly 17 percent of its market capitalisation, with its share price, falling to \$HK7.55 after hitting an intra-day low of \$HK6.65 per share.

Trading in this one counter represented about 52.28 percent of the Total Volume on this market.

Sunevision Holdings Ltd was another big loser as its share price shed about 11 percent, hitting a low of \$HK9.05.

The share price of iMerchants Ltd, one of the newest listings on this market, which went public only on Friday, March 31, at \$HK1.48 per share, gave up another 19 percent, falling to 77 cents per share.

This would indicate that it had lost about 48 percent of its market capitalisation in a period of just 3 trading days.

The ratio of losers to gainers was 16:One.

The high volume of activity, relative to a couple of weeks ago, had to indicate that (1) investors were getting squeamish and (2) brokers were calling in their markers.

For investors, having purchased shares on margin, they were hurting, without fail, and had to sell in order to stop the rot ... else, they could be wiped out, completely.

On Wall Street, on Tuesday, New York time, the Dow Jones Industrial Average gave up about 4.50 percent, at one point during the trading session, and the NASDAQ Composite shed more than 13 percent, at one point, during the proceedings.

At the end of the Tuesday session, the Dow had registered a loss of 0.50 percent to 11,164.84 and the NASDAQ had rebounded to record a loss of just 1.70 percent to 4,418.89.

In Tokyo, it was just about a repeat performance of Tuesday's trading session, with the Nikkei-225, falling a similar amount: 132.16 points to 20,462.77.

Some of the big losers included Sony Corporation, down about 3.46 percent to 14,250 yen, and Softbank Corporation, which went down daily limit of 5,000 yen to 76,500 yen.

An interesting feature of this market was that Hikari Tsushin, a vendor of cellular telephones and has e-mail interests, was untraded for the fourth day in a row.

A sell order at 58,800 yen went up on the board. But there were no takers.

This would appear to indicate that the share price of this company had fallen, notionally, about 25 percent in 4 trading days.

The main reason for the fall in this company's stock price was an official announcement that its Operating Losses, for the first 6 months to February 29, would be about 13 billion yen (about \$HK965 million).

This compared with a previous forecast of an Operating Profit of about 6 billion yen (about \$HK444 million).

It was the HKSAR, which led the major losses in bourses in Asia. This is how the rest of the pack fared:

Thailand	Plus 0.67 percent
Indonesia	Minus 1.18 percent
Malaysia	Minus 0.58 percent
The Philippines	Plus 0.51 percent

South Korea	Closed
Singapore	Minus 0.16 percent
Taiwan	Plus 1.35 percent
Japan	Minus 0.64 percent

Thursday

With Wall Street, doing pirouettes and dancing sur les pointes on Wednesday, New York time, The Stock Exchange of Hongkong Ltd was hardly the place for neophytes to the investment game.

The Hang Seng Index, having lost a bundle during the previous 5 days of trading, appeared to pluck up a little courage on the back of Wall Street's fast recovery on Wednesday (at one point, the Dow Jones Industrial Average was off 600 points and then, in one-hour's trading, it recovered 470 points to record a loss of just 1.17 percent over Tuesday's close).

The Index of The Stock Exchange of Hongkong Ltd finished last Thursday at 16,491.39, up 172.95 points on the day, on a Total Turnover of \$HK12.36 billion.

But, in reality, the gains were not, really, convincing, and one could not help but wonder whether or not vested interests were *'helping'* the market, by hook or by crook.

In a market, which is said to be on the road to recovery after a major setback or correction, one would expect a relatively high volume of activity: That was not the case, last Thursday, on The Stock Exchange of Hongkong.

The Top Ten Most Active issues, led by Pacific Century CyberWorks Ltd, accounted for about 53.24 percent of the Total Turnover.

Of the 922 counters on The Stock Exchange, 265 counters saw no movement in their share prices, while those counters that advanced in price outpaced those, which declined in price, by the ratio of 1.49:One.

After taking a battering, during the previous 5 days of trading, hi-tech and telecommunication counters staged a bit of a rally, led by Pacific Century CyberWorks Ltd, the share price of which went back to \$HK15.65, a gain of about 4.70 percent, compared with Wednesday's closing level.

Cable and Wireless HKT Ltd, the largest, fixed-line telephone operator in the HKSAR and soon to be merged with Pacific Century CyberWorks, put on a spurt, also, closing at \$HK18.50 per share, a gain of about 3.10 percent on the day.

China Telecom (Hongkong) Ltd, which got very short shift from investors on Wednesday, saw the pendulum swing in its direction, putting on 4.10 percent to \$HK62.75 per share.

It was not a convincing rally, to be sure, and there were grave doubts that the stock market of the HKSAR could hold on to its gains when reopened on Friday.

But it appeared that that was in the lap of the gods of Wall Street, at least, for the time being.

On The Growth Enterprise Market -- The GEM -- advancers outdid decliners by a ratio of 12:4.

The Growth Enterprise Index gained about 5.60 percent over Wednesday's close, ending the session at 702.95. The Total Turnover was \$HK654.52 million.

tom.com Ltd was, once more, *'top dog'* on the most active list, with 32.65 million of its scrip, changing hands. This represented a dollar value of about \$HK261.87 million, or about 40 percent of the total volume of activity on this market.

Sunevision Holdings Ltd was in the Number Two slot, in terms of being the most-active counter, with its turnover, hitting \$HK156.93 million. It represented nearly 24 percent of the Total Turnover.

It was of some interest to note that Sunevision saw a swing in its share price of more than 7 percent, during the day -- from \$HK10.85 to \$HK10.05.

Investors in the HKSAR have grown to view The GEM as a bit of joke, since it is difficult to consider this market as being anything but a '*casino*'.

In Tokyo, the Nikkei-225, the '*barometer*' of The Tokyo Stock Exchange, fell 120.72 points, hitting 20,342.05 yen.

Investors on this market were being very cautious on the assumption that, if Wall Street and the rest of the world's equity markets were taking a beating, how could Japan be exempt.

Losers outpaced gainers by the ratio of about 2:One.

Softbank Corporation, the Internet investment company that has been in the news a lot of late, came under fire, once again, losing another 3.92 percent of its market capitalisation to hit 73,500 yen.

Sony Corporation -- whose Chairman had said more than 2 months ago that its share price should not be higher than 20,000 yen -- fell 1.33 percent to 14,060 yen.

A shocker on this market was the announcement by Sogo Company that it was seeking an arrangement with its creditor bankers with regard to debts of about \$HK47 billion.

The arrangement, which Sogo's Management wants, is for creditor banks to forget the debt.

That is called: Japanese chutzpah.

The share price of Sogo slumped 8.33 percent to 88 yen.

A total of 3 Asian stock markets were closed, last Thursday, for public holidays. Here is how those that were open for business fared:

Thailand	Closed
Indonesia	Closed
Malaysia	Closed
The Philippines	Plus 1.31 percent
South Korea	Minus 3.11 percent
Singapore	Plus 2.73 percent
Taiwan	Minus 2.13 percent
Japan	Minus 1.17 percent

Friday

Bargain-hunters snapped up '*cheapies*' on Wall Street, sending the Dow Jones Industrial Average up 80.35 points to 11,114.27, a gain of 0.73 percent.

The NASDAQ Composite Index roared back with a gain of 2.40 percent to 4,267.56.

All good stuff!

With Thursday's gains in New York, investors on The Stock Exchange of Hongkong Ltd took heart, pumping up the Hang Seng Index by a whopping 2.73 percent.

The Index finished the week at 16,941.68, helped by a gain of 450.29 points, last Friday, alone.

The Total Turnover was recorded at \$HK13.37 billion, with the Top Ten Most Active counters, accounting for 52.08 percent of that figure.

China Telecom (Hongkong) Ltd put on about 10.40 percent, clawing back much of its losses, experienced earlier in the week, and closing off the 4-day, shortened week at \$HK69.25 per share.

It was the most active counter, last Friday, with its turnover, being about \$HK1.35 billion, or about 10 percent of the Total Turnover.

Another up-and-coming Internet counter, Legend Holdings Ltd, was the second most actively trading stock, with the share price swinging from a low of \$HK11.20 to a high of \$HK13.10 per share, a swing of about 17 percent.

PetroChina Company Ltd made its debut -- and dropped a clanger when its market price fell to \$HK1.21 per share, down about 19 percent from the \$HK1.49 Offer Price.

Another newcomer to the ranks of The Stock Exchange of Hongkong Ltd, Skyworth Digital Holdings Ltd, which offered 500 million shares at \$HK2.07 per share on March 28, saw its share price rise nearly 38 percent to hit \$HK2.85 per share.

(For the full TARGET analysis of this Company, please refer to our report, published on [April 3, 2000, in Volume II, Number 64](#). The web site address is www.targetnewspapers and/or www.tolfin.com)

Gainers outdid losers by the ratio of 2.33:One.

On The Growth Enterprise Market, tom.com Ltd and Sunevision Holdings Ltd continued to dominate trading, with a total of 23.87 million tom.com shares, changing hands, while Sunevision noted that its volume was 11.52 million shares, switching owners.

Between these 2 counters, the aggregate trading volume was \$HK331.76 million, or about 57.44 percent of the Total Turnover of this speculative market.

On this market, the ratio of gainers to losers was 15:One.

Helping the stock market in the HKSAR, via the biggest economy in the world, the US, was a report, which emanated from the US Labour Department.

This report stated that the unemployment rate in the US was at its lowest levels in the past 27 years.

According to the Labour Department, the number of people, filing for unemployment benefits in the US, dropped to the lowest level in a generation.

This is in spite of large layoffs by companies, such as Xerox Corporation, which cut out 10,000 jobs in 1998.

Wall Street, looking for any excuse to put on a bit of a spurt, in any event, took this news as a good reason to push for higher prices.

Such a sentiment echoed round the world.

In Japan, The Tokyo Stock Exchange, which had been fairly immune to the large losses, experienced on other equity markets, earlier in the week, managed to eke out a 29.20-point gain, with the Nikkei-225, rising to 20,252.81.

For the week, the Nikkei-225 managed to record a gain of just 34 points -- which is a lot better than most other equity markets, all things considered.

Even so, it was a rough ride for many Japanese investors, especially when it was announced that the profits of Softbank Corporation were unlikely to please many people.

The Company announced, at the conclusion of trading, that its Net Profit for the Financial Year, ended March 31, 2000, was likely to be down about 91 percent to about \$HK260 million, compared with the 1999 Year.

It, also, announced that it would have to sell off some assets in order to raise some money in order to keep the wolves away from the door.

During trading, last Friday, the share price of Softbank had sunk another 3,000 yen to 70,500 yen.

This is equal to a fall in the company's market capitalisation of about 58 percent in less than 2 months.

Another similar corporate '*animal*' to Softbank, Hikari Tsushin, fell in sympathy with Softbank, dropping daily limit for the 6th day in a row, with an ask-only rate of 48,800 yen.

Hikari Tsushin informed the market, the previous week, to stand by for bad news.

Sogo Company (see Wednesday's report) continued its decline, dropping another 7.95 percent to 81 yen per share.

Mr Sadakazu Tanigaki, the Commissioner for Financial Reconstruction, stated that it was unlikely that the Japanese Government's bank, Nippon Credit, could forgive the loans, advanced to the giant departmental store entity.

On The Tokyo Stock Exchange, gainers outpaced losers by a ratio of 1.11: One.

In other Asian equity markets, this is the way that things came to a halt, last Friday:

Thailand	Plus 2.05 percent
Indonesia	Plus 1.18 percent
Malaysia	Minus 0.55 percent
The Philippines	Plus 1.47 percent
South Korea	Plus 4.11 percent
Singapore	Plus 1.85 percent
Taiwan	Minus 0.48 percent
Japan	Plus 0.14 percent

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