

WALL STREET'S FLU CAUSES HONGKONG'S PNEUMONIA

The Total Turnover shrank to the lowest levels, seen in many a moon on The Stock Exchange of Hongkong Ltd, as the Hang Seng Index gave up 90.94 points to 16,941.68 with the volume of activity, falling to about \$HK9.33 billion.

The Total Turnover, last Monday, was equal to about one quarter of the dollar value of many of the turnovers, experienced at the beginning of the year.

The stock market was looking very tired and investors were looking more than a little apathetic: It was reminiscent of what one would expect of a stock market in Asia on the eve of the Chinese New Year Festivities.

There appeared to be little to no reason for the sell-off, last Monday, mild though it was, with some people, claiming that it was wise to wait to see what Wall Street would do at the start of its week, 12 hours after the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) went to bed.

But it was as ominous sign: Would the market fall further on Tuesday?

The Ten Most Active issues were dominated by China Telecom (Hongkong) Ltd, with the aggregate value of trading of this bunch, accounting for about 45.77 percent of the Total Turnover.

China Telecom, which saw about 10.68 million of its shares change hands, witnessed also a \$HK4.75 swing in its share price, equal to about 6.71 percent at its highest point of \$HK70.75 per share.

Pacific Century CyberWorks Ltd was another counter which witnessed wild swings, from a low of \$HK15.50 per share to a high of \$HK17 per share. This is equal to a roller-coaster ride of about 8.82 percent.

No report about the HKSAR stock market would be complete without mentioning the '*king*' of the market: HSBC Holdings plc. This heavyweight came under selling pressure, yet again, as about \$HK455.59-million worth of its scrip switched hands, with the share price, fluctuating between \$HK88 per share and \$HK86 per share.

Losers outpaced gainers by a ratio of 2.67:One.

The previous Friday on Wall Street, the New York Stock Exchange ended the week with the Dow Jones Industrial Average, down 2.79 percent to 11,111.48, while the NASDAQ Composite Index gained 4.19 percent over the previous Thursday's closing level.

The charge of the NASDAQ and the retreat of the Dow made some people more than a little squeamish since they were unsure as to what it all meant.

On The GEM, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, The Growth Enterprise Index fell about 3.26 percent to 745.48 on a relatively low Total Turnover of \$HK325.91 million.

It was the same 2 counters which dominated trading: tom.com Ltd and Sunevision Holdings Ltd. These 2 counters accounted for about 61.44 percent of the total volume of activity.

tom.com witnessed a 10.56-percent swing in its share price, from a high of \$HK9 per share to a low of \$HK8.05 per share.

Sunevision was caught up in shareholders' concerns and, as a result, its share price fell from a high of \$HK11.70 to a low of \$HK10.65 per share, a swing of about 9 percent, during the day.

Neither of these 2 counters can justify their share prices, in any event, since neither of them has yet to make a penny in profits: It is all hype.

The ratio of losers to gainers on this market was 11:6.

In Japan, The Tokyo Stock Exchange went against the HKSAR's stock market's trend, gaining 366.25 points with the Nikkei-225, closing the session at 20,619.06.

The nearly 2-percent gain in the Nikkei-225 Index was brought about, almost entirely, by what had happened on the NASDAQ, the previous Friday in New York.

Tokyo is very sensitive to hi-tech and Internet-related stock movements on Wall Street, where the current hi-tech boom started.

The Nikkei, going against Wall Street's gain, was somewhat of a relief to many fund managers in Japan since, if the hi-tech, stock meltdown in New York continued over too long a period of time, it would have repercussions, round the world -- and especially in Japan.

Sony Corporation certainly took its cue from Wall Street, putting on 3.92 percent to a high for the day of 14,570 yen. Hitachi jumped up 5.66 percent to 1,401 yen.

Softbank Corporation, which had been hit by a sell-off, resulting in a loss of more than 50 percent of its market capitalisation, over the past few months, rebounded daily limit 5,000 yen to close at 75,500 yen.

The prospect of better relations between North Korea and South Korea, with the 2 sides, sitting down to take tea, was a very positive sign for Asia in general, and could, perhaps, have been a stabilising effect on stock markets in the region.

Certainly, South Korea's Seoul's Composite Index took heart at the news, making a violent jump of more than 3 percent.

This is how the Asian bourses looked on Monday, April 10, 2000:

Thailand	Minus 0.03 percent
Indonesia	Minus 0.21 percent
Malaysia	Minus 1.08 percent
The Philippines	Plus 3.35 percent
South Korea	Plus 3.92 percent
Singapore	Minus 1.10 percent
Taiwan	Plus 1.94 percent
Japan	Plus 1.81 percent

Tuesday

With New York, seemingly uncertain as to which way the stock-market ball would bounce, the Hang Seng Index started to shed a great deal of its fat, losing 2.16 percent to fall to 16,487.66.

On the first day of trading for the week, starting April 10, the Dow Jones Industrial Average gained 75.08 points to rise to 11,186.56 -- while the NASDAQ Composite Index went in the reverse direction, losing 258.25 points, or about 5.80 percent, falling to 4,188.20.

Americans had determined that hi-tech and Internet-related issues were overpriced and marked them down, accordingly ... and it appeared that the world had to follow suit.

More shedding of blood in this sector was well expected as investors of the Hongkong Special Administrative Region (HKSAR) went home to bed, last Tuesday night.

The Total Turnover on The Stock Exchange of Hongkong Ltd was, once again, relatively low, at about \$HK9.48 billion.

The Ten Most Active counters accounted for just about 55 percent of the Total Turnover, with China Telecom (Hongkong) Ltd, being again the most-traded issue as more than 18.19 million shares changed hands for a volume in this counter of about \$HK1.18 billion, or about 12.45 percent of the total volume of activity on The Stock Exchange.

The share price of this heavyweight fluctuated between a low of \$HK63.75 per share and a high of \$HK67 per share. This is an intra-day swing of about 4.85 percent off the high spot for the day.

The share price ended the session at near its lowest level, at \$HK64.25.

Investors were waiting for the company's 1999 Trading Results, released last Thursday night.

Other big losers included, Pacific Century CyberWorks Ltd, off 2.20 percent to \$HK15.40 per share, Cable and Wireless HKT Ltd, down 1.64 percent to \$HK18.30, and Hutchison Whampoa Ltd, down 3.68 percent to \$HK131 per share.

Losers outdid gainers by a ratio of about 2.46:One.

An interesting piece of news came from the camp of Midland Realty (Holdings) Ltd where it was announced that Cheung Kong (Holdings) Ltd had decided to get into bed with the second largest property agency enterprise in the HKSAR.

According to Midland's announcement, Cheung Kong's 89-percent owned, Hongkong Property Services (Agency), would be acquired by Midland for Convertible Bonds which, if exercised, would give Cheung Kong about 10 percent of Midland.

The cost of acquiring Hongkong Property Services works out to be about \$HK69.60 million.

What this all means is that Midland will end up with about 30 percent of the property agency market in the HKSAR; it will have an additional 25 branches; and, it will add another 300 employees to its payroll.

Midland, which is on a roll, in any event, is almost bound to be one of the '*darlings*' of the stock market in the near future for its business is, after all, the '*bread-and-butter*' of the HKSAR.

Further, however, was that Cheung Kong, which appears to value Midland at not less than \$HK1.20 per share, has agreed to take up 20 percent of Midland's proposed new listing, Midland Cyber Agency, for \$HK40 million, with an option to take up another 5 percent of the Issued and Fully Paid-Up Share Capital of that company, when it is fully formed.

Midland's share price has ranged from a low of about 76 cents to a high of about \$HK1.07, over the past few months.

On The Growth Enterprise Market -- The GEM -- things were approaching panic mode as The Growth Enterprise Index shed another 2.62 percent to end the session at 702.31.

The Total Turnover on this market was about \$HK267.64 million, with tom.com Ltd and Sunevision Holdings Ltd, accounting for about 65.12 percent of that figure.

tom.com sank to a low of \$HK7.40 per share, off about 9.20 percent, while Sunevision appeared to be able to hold the fort, to some extent, with a smaller percentage loss of about 60 cents per share, or about 5.66 percent.

Losers outnumbered gainers by the ratio of 16:3.

While HKSAR investors licked their wounds, in Japan, The Tokyo Stock Exchange could not hold its ground: The Nikkei-225 shed 96.54 points to 20,522.52.

Sony Corporation, which share price, on Monday, was able to gain 3.92 percent, lost much of Monday's gains, shedding about 2.20 percent of its Market Capitalisation in sympathy with overnight losses on the NASDAQ.

Internet Research Institute, which rarely makes the papers, lost nearly 11 percent of its market capitalisation, while Hikari Tsushin continued to lose ground, with no buyers in sight.

But it was not all losers on this market since Fujitsu's share price rose 3.75 percent and Mitsubishi Electric's share price made headway to the extent of nearly 2 percent, compared with Monday's closing level.

In such a seemingly confusing situation in Asia, other major bourses had difficulty in deciding which way the stock-market ball would bounce.

This is the way that other stock markets closed, last Tuesday:

Thailand	Minus 0.64 percent
Indonesia	Plus 0.02 percent
Malaysia	Minus 0.64 percent
The Philippines	Minus 2.18 percent
South Korea	Minus 1.74 percent
Singapore	Plus 0.21 percent
Taiwan	Minus 0.59 percent
Japan	Minus 0.47 percent

Wednesday

Pacific Century CyberWorks Ltd, the Li Ka Shing Internet investment company, the largest in Asia outside of Japan, shocked investors on The Stock Exchange of Hongkong Ltd with an announcement of a link-up with Australia's largest telecommunications company, Telstra Corporation Ltd.

According to the official announcement, Pacific Century CyberWorks had entered into a Memorandum of Understanding with Telstra whereby Pacific Century CyberWorks would issue to Telstra a \$US1.50-billion (about \$HK11.67 billion) Convertible Note and there would be a cash contribution from Telstra to Pacific Century CyberWorks of an equal amount of money.

In addition, there is to be a merger of some of the businesses and assets of Cable and Wireless HKT Ltd with Telstra.

The idea, clearly, is to knock all other telecommunication and Internet competitors in Asia, if not completely out of the box, then, at least, sufficiently to cut deeply into their cash boxes and make them want to heel.

And it would appear that, with Mr Li Ka Shing's cash, he could do it with the help of his new and very significant Aussie partner.

At the end of the day, if Telstra converted its Pacific Century CyberWorks Convertible Notes into Ordinary Shares of the company, it would end up with about 20 percent of the Enlarged Issued and Fully Paid-Up Share Capital of Pacific Century CyberWorks, following the takeover/merger of Cable and Wireless HKT Ltd.

The news hit the market too late to make much of a difference to trading on The Stock Exchange.

The Hang Seng Index, after gaining 164.94 points in the morning session, saw sellers dominate trading in the 90-minute afternoon session, resulting in about 46 percent of the morning's gains, being shaved.

The Index ended the day at 16,577.09 on a Total Turnover of about \$HK11.70 billion.

And, once again, it was China Telecom (Hongkong) Ltd, which was the most-active counter, as about 24.21 million shares were traded, with the price, falling to \$HK62.50, after hitting bottom at \$HK61.50 per share. This is equal to a loss on Tuesday's closing level of about 2.70 percent.

Investors took the view that Thursday's 1999 Results announcement from this company would not be joyous news.

Nearly every proud investment analyst was suggesting great news from this PRC State-run telecommunications company, rated to be the third largest in the world.

However, not everybody understood the workings of PRC State-run companies: Anything is possible when politicians from the PRC determine to interfere.

The trading in this counter accounted for about 13 percent of the Total Turnover.

The gains on The Index of The Stock Exchange of Hongkong Ltd were in spite of the fact that technology and Internet-related issues on Wall Street had come under pressure, once again, on Tuesday.

The NASDAQ Composite Index had fallen 3.10 percent to 4,055.90.

In contrast, however, the Dow Jones Industrial Average had put on 100.52 points, hitting 11,287.08 points, in what many New Yorkers called a choppy trading session on the world's Number One equity market.

The Top Ten Most Active counters on the HKSAR's stock market represented about 53.16 percent of the Total Turnover as the ratio of gainers to losers hit a near parity.

On The GEM, the speculative side of The Stock Exchange of Hongkong Ltd, the Growth Enterprise Index rose 2.42 percent to 719.31 on a low volume of \$HK240.88 million.

Boring though it reads, it was, once again, trading in the shares of tom.com Ltd and Sunevision Holdings Ltd that dominated the activity, with the aggregate value of trades in these counters, being about 64.76 percent of the total volume of activity.

Prices were little changed from Tuesday's closing levels as investors, clearly, were not too interested in the proceedings on this market.

Though, technically, this market was up, compared with Tuesday's closing level, declining issues outdid advancing issues by a ratio of 11:6.

In Tokyo, the Nikkei-225 rose 310.69 points, or about 1.50 percent, to 20,833.21.

This was the highest level that the Nikkei-225 has seen since about December 1996.

Even so, Internet-related issues came under intense pressure, with Softbank Corporation, shedding another 4.90 percent of its market capitalisation, while Hikari Tsushin fell daily limit to 39,800 yen.

Hikari Tsushin, once one of Japan's '*darlings*', had fallen about 83 percent from its high on February 15 when the share price hit 241,000 yen.

Pity the Japanese investors who plonked their money down on this loser!

While the hi-tech sector of the market was in reverse, the more solid Japanese companies were advancing apace: Honda Motor (plus 5.30 percent); and, Mazda Motor (up 6.40 percent).

Aside from Japan, Asia was a mixed bag as the following indicates:

Thailand	Plus 3.42 percent
Indonesia	Minus 0.88 percent
Malaysia	Plus 0.75 percent
The Philippines	Minus 0.73 percent
South Korea	Minus 2.11 percent
Singapore	Plus 0.19 percent
Taiwan	Minus 1.56 percent
Japan	Plus 1.51 percent

Thursday

It happened!

As TARGET has mentioned, time and time again, when dealing with corporate entities, controlled by the Government of the PRC, anything is possible.

And the impossible happens, more often than not.

China Telecom (Hongkong) Ltd unveiled a 30-percent slump in 1999 Net Earnings, compared with the like 1998 Financial Year.

The question: Will the HKSAR Securities and Futures Commission (SFC) investigate trading in the shares of this company over the past few weeks in order to determine whether or not there had been insider trading?

TARGET is covering all bets that the SFC will come up trumps.

But China Telecom's announcement, as to its reduced earnings in 1999, was only part of the story because the company, also, announced that (a) it had written off 8.24 billion yuan (about \$HK7.75 billion) in respect of outdated equipment and (b) it would be making an \$HK81-billion investment, over a period of 2 years, in order to boost its cellular telephone network.

So, stand by for a call to arms, investors!

The brief details of the company's earnings were:

1999 Net Profit -- \$HK4.51 billion
1998 Net Profit -- \$HK6.49 billion

China Telecom ranks as the world's third largest cellular telephone operator, in terms of the number of its subscribers. It has an 11-percent stake in Cable and Wireless HKT Ltd.

The shock announcement from the company also included the astounding news that the reduced profits came on the heels of record sales, which climbed in 1999 by 46 percent over the 1998 figure, to \$HK36.30 billion, while subscribers to its systems jumped about 139 percent in 1999 over the 1998 figure, to 15.62 million subscribers.

China Telecom share price fell out of bed, again, as the Hang Seng Index, the benchmark of The Stock Exchange of Hongkong Ltd, recorded a 224.53-point loss, equal to a fall of about 1.35 percent.

On a Total Turnover of about \$HK15.25 billion, sellers lined up to unload their holdings in the wake of a continued shake-up on Wall Street where the NASDAQ Composite Index continued its slippery slide, falling another 286 points to 3,769.21, or about 7 percent.

This represents the NASDAQ's lowest point since January 31; it sent a chill through the entire market, resulting in even the Dow Jones Industrial Average, shedding 161.95 points, dropping to 11,125.13.

The higher Total Turnover on The Stock Exchange of Hongkong Ltd on Thursday, compared with Wednesday's volume of about \$HK11.70 billion, was an ominous sign: Did this signal further declines in short order?

The Ten Most Active issues were, naturally, dominated by trading in China Telecom where about 36.34 million shares changed hands, accounting for about 14.69 percent of the \$HK15.25 billion Total Turnover, at about \$HK2.24 billion.

The Ten Most Active issues accounted for a record of 62.56 percent of the total volume of activity of the day.

Never, have so few counters been responsible for such a large slice of this market.

The share price of China Telecom hit a low of \$HK59 and a high of \$HK64.25, a swing of about 8.17 percent from the high, settling at \$HK63 at the close of trading.

In 4 trading days, China Telecom had lost about 10 percent of its market capitalisation.

Pacific Century CyberWorks Ltd, having officially announced its tie-up with the Aussie giant, Telstra (see Wednesday's report), was an exception to the sell-off, managing to put on more than a bit of a spurt, rising about 7 percent to \$HK16.50, after hitting a high of \$HK17.15.

But Pacific Century CyberWorks's '*daddies*', Hutchison Whampoa Ltd and Cheung Kong (Holdings) Ltd, both came under fire, with Hutchison, off about 3 percent to \$HK126.50 per share, and Cheung Kong, down about 2.40 percent to \$HK101 per share.

The ratio of losers to gainers was about 3:One.

On The GEM, The Growth Enterprise Market, the Growth Enterprise Index gave up about 2.35 percent, falling to 702.44.

The Total Turnover on this market was about \$HK236.08 million, indicating, yet again, that investors were losing interest in this '*casino*'.

The same old duo dominated trading, with tom.com Ltd, being responsible for nearly 40 percent of the Total Turnover, at \$HK93.44 million, while Sunevision Holdings Ltd, with a turnover in this counter of about \$HK77.53 million, represented nearly 33 percent of the total volume of activity.

Declining issues were ahead of advancing issues by the margin of about 4:One.

On The Tokyo Stock Exchange, the Nikkei-225 was not spared the international sell-off of hi-tech and Internet-related issues, falling 306.79 points to 20,526.42.

While the final tally was a drop of just 1.50 percent on the day, at one point, the Nikkei-225 was off by more than 2 percent as Japanese investors sought to get out of the speculative hi-tech stocks.

For the third day in a row, Sony Corporation gave up ground, losing another 4.68 percent of its market capitalisation, followed closely by electronics giant, Hitachi, with its share price, dropping an additional 6.10 percent.

Softbank Corporation was still under intense pressure, losing daily limit 5,000 yen to hit 66,300 yen per share.

And, what is fast becoming the norm, Hikari Tsushin ended ask-only, down daily limit 3,000 yen, hitting 36,800 yen per share. This represents the tenth consecutive day of losses for this counter.

While the HKSAR and Japan were under pressure, in other parts of Asia, the 'rot' was better contained as the following indicates:

Thailand	Closed
Indonesia	Plus 0.07 percent
Malaysia	Minus 0.72 percent
The Philippines	Minus 1.07 percent
South Korea	Closed
Singapore	Plus 1.34 percent
Taiwan	Minus 2.51 percent
Japan	Minus 1.47 percent

Friday

China Telecom (Hongkong) Ltd will sell its stake in Cable and Wireless HKT Ltd, bringing in about \$HK930 million to its coffers.

This was announced last Friday by the Chairman of China Telecom, Mr Wang Xiao Chu.

As the Americans would say: *'If that ain't a slap in the puss, nothin is.'*

And down came the share price of China Telecom ... and down came the Hang Seng Index.

China Telecom hit a low of \$HK59.25 per share, after hitting a high of \$HK62.50 per share, and, then, settling at \$HK60.75 per share for a loss of about 3.57 percent, compared with Thursday's closing level.

The Hang Seng Index fell the equivalent of about 1.28 percent, coming to end the week at 16,142.76 on a Total Turnover of about \$HK11.62 billion.

But The Index hit a bottom at 16,044.87 at the noonday gun. This represented a loss of about 307.69 points, or about 1.88 percent, compared with Thursday's close.

The Ten Most Active issues accounted for about 51.46 percent of the total volume of activity.

The market was dominated, to a great extent, by China Telecom's trades where that counter witnessed a total of about 23.88 million shares changing hands. It amounted to about 12.48 percent of the Total Turnover.

The sell-off on The Stock Exchange of Hongkong Ltd was the result of what was happening on Wall Street where, on Thursday, The Dow Jones Industrial Average gave up 201.58 points, settling the Thursday session at 10,923.55.

The 1.80-percent fall in The Dow was outdone on the NASDAQ Composite Index, which shed 2.50 percent of its value to 3,676.78.

What was worrying about the NASDAQ was that there had been a swing, during last Thursday's session in New York, of about 238 points -- from plus 145 points to negative 92.85 points.

And the losses all took place in the final hour of trading.

From March 10, 2000 to the close of trading, last Thursday, the NASDAQ had taken a *'haircut'* to the extent of about 27 percent.

The reason for the fall in both indices was a somewhat scary report, emanating from the US Labour Department, a report which could well articulate that horrid sound: *'Inflation!'*

The Report stated that US consumer prices, excluding energy and food prices, rose in March at the fastest rate in more than 5 years.

At the same time, US factory production increased, yet again, in the month of March.

The so-called *'core CPI'* -- the core Consumer Price Index excludes food and energy costs -- rose 0.40 percent in March as costs increased for clothing, housing, medical care and airfares.

The March statistics came after the February core CPI scored a 0.20-percent gain -- and those statistics were the largest increase since January 1995.

All this boils down to an inflationary trend which, no doubt, the US Federal Reserve Board will tackle ... with higher interest rates in the hope of slowing down the US economy.

And this, once the US markets got wind of the true situation, could result in an international stock-market meltdown.

New York had already caught the flu; the HKSAR had started to contract pneumonia, to be sure.

Last Friday, losses on The Stock Exchange of Hongkong Ltd were far and wide, with the share price of Hutchison Whampoa Ltd, falling \$HK4 to \$HK122.50 (down 3.16 percent), CITIC Pacific Ltd, down \$HK1.40 per share to \$HK36.50 per share (off 3.69 percent), Pacific Century CyberWorks Ltd, off 45 cents per share to \$HK16.05 per share (down 2.30 percent), and Cable and Wireless HKT Ltd, down 45 cents per share to \$HK19.10 per share (off 2.30 percent).

One bright exception to the wide-spread selling spree was Swire Pacific Ltd, the share price of which actually gained 6.78 percent to close off the week at \$HK51.60 per share.

The ratio of declining issues to advancing issues was 1.56:One.

It was expected, in view of the weakness at the close, that there would be further losses in the following week.

On The GEM, The Growth Enterprise Market, the Growth Enterprise Index shed 0.62 percent, falling to 702.44 on a Total Turnover on that market of just shy of \$HK400 million.

There was little interest in this market, last Friday, with 10 counters declining, 6 counters, advancing, and 3 counters, finding their share prices unchanged, with little to no trades.

In Tokyo, the Nikkei-225, the benchmark of The Tokyo Stock Exchange, fell 91.74 points, ending the week at 20,434.68.

The ratio of losers to gainers, on this bourse, was about 2:One.

For the eleventh consecutive trading day, Internet investor, Hikari Tsushin, was down daily limit with ne'er a buyer in sight.

Tokyo witnessed relatively dull trading conditions as Japanese investors watched the antics of Wall Street -- as was the world, in point of fact, since the signs were ominous, to be sure.

All other Asian markets went into reverse, last Friday, with the lone exception of Singapore:

Thailand	Closed
Indonesia	Minus 1.47 percent
Malaysia	Minus 0.28 percent
The Philippines	Minus 0.78 percent
South Korea	Minus 4.32 percent
Singapore	Plus 1.20 percent
Taiwan	Minus 2.98 percent
Japan	Minus 0.45 percent

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