

1987: taking stock of a turbulent year

Business Post staff reporters chronicle the events that added up to characterise 1987 as the year of the financial roller-coaster.

January

THE Bank of China warned that the booming stock market, which broke the 2,500 barrier at the end of last year, could crash. The \$110 million public offer by K. Wah Stones was oversubscribed 222 times, attracting subscriptions of more than \$24.56 billion.

Bond Corp International Ltd, the Hongkong arm of Australia's Bond Corp, was listed on the local stock market and caused a frantic scramble for its shares. BCLC paid Sir Run Run Shaw \$1.397 billion to buy a 23.77 per cent stake in HK-TVB at \$14 a share, becoming the largest individual shareholder in TVB.

BCLC was also criticised by the Securities Commission for claiming that the net asset value of its shares was \$2.60, instead of the \$1.10 stated in the flotation prospectus.

China International Trust and Investment Corp signed a \$1.94 billion deal with Cathay Pacific Airways, buying a 12.5 per cent stake in the airline, one of the most significant Chinese investments in Hongkong.

The British Department of Trade and Industry decided to subsidise a feasibility study on the proposed second Hongkong airport, planned by Gordon Wu's Hopewell Holdings and the Cheung Kong-Hutchinson group.

February

HUSKY Oil approved Li Ka-shing's \$3.4 billion offer, made late in 1986, for a 52 per cent stake in the Canadian oil group.

Dragonair sought to challenge the Government's "one-route, one-airline" policy and applied for scheduled flights on routes already served by Cathay Pacific. Existing shareholders gave it a \$200 million capital.

The Securities Commission decided to make closer scrutiny of backdoor listings and required that listed companies should have substantial local assets, triggering fears in the financial community of over-regulation.

Attorney General Michael Thomas exercised discretion not to prosecute Alan Bond for false and misleading information about Bond Corp International's net asset value. Following the Attorney General's decision, Bond

Corp bought Financial Square, now Bond Centre, for \$1.9 billion. Financial Secretary Piers Jacobs announced a confidence-boosting Budget with a \$1 billion surplus and tax concessions.

March

THE hotel battle started, with China Entertainment and Lai Sun Garment buying a 30 per cent stake of Hongkong and Shanghai Hotels for \$1.5 billion.

Hongkong Electric announced plans to split its utility and non-electricity interests, with the latter under a newly established firm, Cavendish International.

Hongkong Bank announced a one-for-eight rights issue, raising \$3.3 billion to bolster its capital ratio.

Dragon Airlines again failed to win a route licence in its dogged battle with Cathay Pacific, but convinced the ATLA to grant Cathay a two-year licence instead of the usual five-year rights.

April

HUTCHINSON and Cheung Kong announced the issue of controversial B shares in the form of a bonus issue to shareholders, just four days after Jardines' widely criticised announcement of a four-for-one bonus issue of B shares.

The Hongkong Stock Exchange said it would not consider further proposals to issue B shares unless the price differential between A and B shares could be eliminated. A few days later, Cheung Kong and Hutchison withdrew their B share plans.

Listed textile firm Jan Sin Mee was put into receivership by its debenture holder Hongkong Bank following losses on Macau property. Securities Commissioner Ray Astin said insider dealing was an acute problem in Hongkong and should be made a criminal offence.

May

THE US House of Representatives voted in favour of tough new protectionist trade measures aimed mainly at Asian nations. The controversial Gephardt amendment to the general trade bill was approved by 218 votes to 124.

The stock exchange said 14 companies had formally applied for listing on the exchange. This would allow them to absorb a total of \$2 billion to \$3 billion from the market within the next six months.

June

BRIAN Powers succeeded Simon Keswick as managing director of Jardine Matheson Holdings, while the latter retained the long's chairmanship.

China and Britain signed an agreement paving the way for China to issue new bonds on the London market, the first since the communist revolution.

The Committee on Takeovers and Mergers announced its verdict on the Hotels battle, saying insufficient evidence existed to support a claim that China Entertainment and Lai Sun had acted in concert when buying Hongkong and Shanghai Hotels shares.

Dairy Farm International launched a \$1.8 billion bid for 22 per cent of UK food retailer group Kwik Save.

Former OTB chairman Huang Tiong-chan was sentenced to a two-year jail term for his part in a scheme to conceal the bank's US\$66.8 million losses.

The Takeovers Committee released details of its decision on the hotels inquiry, issuing a harsh attack on chairman David Liang of Hongkong and Shanghai Hotels for refusing to give oral evidence on the case.

July

SINO Land went on a buying spree, paying \$275 million for two adjacent buildings in Causeway Bay. C.I.TOH of Japan linked up with Great Eagle Co to form a series of joint ventures in property development, making it the first large Japanese firm to enter the Hongkong property market.

August

STANDARD Chartered sold its 39 per cent stake in South Africa's largest banking group, a move widely regarded as being initiated by Sir Yue-kong Pao, who has strong connections with anti-apartheid China. Macau's acting governor said the Chinese authorities had given the go-ahead for a \$3.3 billion airport project as well as a planned helicopter

index up 154 points to 2,395 on the day. The Hongkong Futures Guarantee Corp and International Commodities Clearing House jointly issue High Court writs against 39 brokers seeking a total of \$1.8 billion.

December

HONGKONG Futures Guarantee Corp announced the new requirement that futures brokers have to pay for the margin of all contracts instead of meeting margin call for the net number of contracts - after offsetting the equal number of "long" and "short" contracts.

Jeffery Sun, chief executive officer of the Stock Exchange of Hongkong quit his position to emigrate to Canada. In addition, Donald Tsang, head of the exchange's listing department, planned to leave the exchange and move to Canada.

Jademan Holdings revealed it had lost \$105 million in the stock market crash and the market value of the group's portfolio was reduced to \$57 million at December 2. The loss resulted in the investigation by the Securities Commission and the Stock Exchange of Hongkong into the company's financial affairs.

The stock market slump forced four Japanese stock-broking houses to shelve plans to trade in Hang Seng index futures.

Cable and Wireless and the Hongkong Government shelved plans to reduce their stakes in the new holding company Hongkong Telecommunications which will be in the local interests of the UK communications giant with Hongkong Telephone. Joseph Lau's Chinese Estates bought Harcourt and Windsor houses from Hongkong Land for \$2.38 billion, the biggest property transaction in Hongkong.

Hongkong Futures Exchange, Hongkong International Commodities Clearing House (Hongkong) Ltd jointly announced to revamp the local futures market's rules on membership structures, broker-client relations, broker capitalisation, margin and position limits, surveillance and compliance.

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Writs were filed by 12 futures brokers against their clients, seeking more than \$250 million. Standard Chartered Bank Asia, the merchant banking arm of Standard Chartered Bank, agreed to buy Chin Tung Holdings' stock-broking business.

November

THE \$10 billion rights issue by Li Ka-shing left the underwriters with a loss of \$1.5 billion because of the low level of subscription. Mr Li had announced Hongkong's biggest ever rights issue before the stock market crash. The main underwriters were Citicorp International, Wai Yee Corporate Finance, Sun Hung Kai International, CEF Capital and Paribas Asia.

Li Ka-shing and Hopewell Holdings chairman Gordon Wu jointly won the bid for a 239,000 sq ft site in Kowloon Bay, paying \$470 million during a government land auction.

Hongkong Bank announced plans to take a 14.9 stake in the British clearing bank Midland Bank for \$383 million.

The US toy company Worlds of Toy failed to pay more than US\$40 million to five listed Hongkong toy manufacturers - General Electronics, Kader Industrial, Wang's Industrial, Universal Appliances and Applied Electronics.

The Fung Ping Fan group's restructuring was completed with the setting up of Fung Ping Fan Holdings International. Sir Kenneth Fung would own 70 per cent of the new holding company, with accountants Arthur Young taking a two per cent stake.

The Lau brothers said they would take over the Road Holdings listing to use as a share trading vehicle. The company would be renamed Newco and the Lau brothers would inject their 9.99 per cent stake in Oriental Press. Jademan into the company, which also sold a local futures market's rules on membership structures, broker-client relations, broker capitalisation, margin and position limits, surveillance and compliance.

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After 36 hours of meetings, the Government outlined a \$2 billion rescue package for the futures exchange. The Government was to provide \$1 billion from the Exchange Fund. A further \$500 million was provided by leading futures brokers from local and overseas banks and the International Commodities Clearing House.

October

SUN Hung Kai Properties raised almost \$2 billion unvetted plans for a rights issue to raise \$680 million to buy a controlling stake in Shin Tak Centre.

Dickson Concepts bought the worldwide operations of S.T. Dupont from US-based Gillette Co for \$390 million.

There were fears of widespread defaults between members. The \$2 billion was to provide a drawing facility to finance its obligations to members of the exchange in respect of new and existing futures contracts. The rescue package was later doubled to \$4 billion.

As part of the deal, Futures exchange chairman Kim Cham and vice-chairman Ronald Li both resigned but remained directors of the board.

Shun Tak Enterprises cancelled its \$650 million rights offer after underwriter Citicorp said it would withdraw from the deal due to the collapse of the market.

The stock exchange reopened amid a wave of panic selling. The Hang Seng index started 400 points in the first five minutes of trading and dropped 1,121 points to 2,242 at end of the day.

A rescue bid by Hongkong tycoons, buying blue chip shares, failed to stop the collapse.

Takeover rules were suspended for one month to allow low business tycoons to buy shares in their companies beyond the 35 per cent level. It was suggested that such a move would support the market, but the waiver met with criticism from all sides.

The Government announced that it was to launch an independent examination into the stock and futures exchange. New futures exchange chairman Wilfred Neave had been suspended from trading for failing to meet margin calls. Banks cut their prime rate again to 0.5 per cent to help inject liquidity into the stock market. Strong institutional buying sent the Hang Seng



Ronald Li... loses his temper at a news conference after finding himself in the hot seat following the market crash.

September

LI Ka-shing announced a \$10.3 billion rights issue for his four major companies, Cheung Kong, Hutchison Whampoa, Hongkong Electric and Cavendish. Mr Li also bought 4.9 per cent of the UK-based Cable and Wireless.

Elders Investments Ltd, the offshore investment arm of Australian conglomerate Elders IXL, released plans to change for four days, following the massive drop on Wall Street on Monday. Trading was also suspended in the futures market for the same period. The Government held a series of meetings with off-

London market capitalisation fell by \$45 billion as the market lost 10 per cent of its value.

The merger of Hongkong Telephone and Cable and Wireless (HK) under a new holding company, Hongkong Telecommunications, was announced. Under the new structure the public would be offered 20 per cent of the equity. The UK parent would hold 74.5 per cent of Hongkong Government 5.5 per cent.

The General Committee of the Stock Exchange of Hongkong decided to suspend trading on the stock exchange for four days, following the massive drop on Wall Street on Monday. Trading was also suspended in the futures market for the same period. The Government held a series of meetings with off-