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Be wary when purchasing shares of Net-related firms

Shahriman Johari

INVESTORS need to be cautious in making decisions to buy shares of companies that have anything to do with the Internet and avoid succumbing to speculative activities on the local stock market, advises Malaysian Investors' Association president Dr PHS Lim.

"They have to understand the company first before rushing in to buy the stock. Investors have to take into account the earnings factor, which is whether the company actually can make money," he said.

Acknowledging the speculative interest that has been driving up share prices in the last few months, Lim reminded that of 100 Internet businesses, a handful of them can fail.

Lim was speaking to reporters after the official launch of the National Conference on Solutions for E-Commerce, organised by the association in Kuala Lumpur yesterday.

Minister of Energy, Telecommunications and Multimedia Datuk Amar Leo Moggie was present to launch the conference.

Realising the opportunities that the Internet provides, local corporations from industrial giants YTL Corp Bhd to smaller Second Board companies like Ireka Construction Bhd have also been investing in online businesses.

And market players welcomed these developments by buying their shares, pushing prices to new highs.

However, these players then switched to buying on rumours of any company which announces that it is investing into Internet-related businesses creating a speculative bubble on dotcom-related shares.

Even Prime Minister Datuk Seri Dr Mahathir Mohamad had cautioned investors on their buying frenzy of these stocks last month.

In the same month, the Kuala Lumpur Stock Exchange had released a new set of guidelines on what needs to be disclosed by companies that are investing in Internet-related activities, to ensure that investors make informed decisions.

Nonetheless, recognising the positive impact of the Internet, Lim urged companies to incorporate the technology which will ultimately benefit consumers.

"The Government is already doing enough to facilitate e-commerce in Malaysia. Now is the corporate sector's turn to participate in e-commerce," he added.

Meanwhile, the number of Internet users in Malaysia is now more than 2 million, Leo Moggie said in his keynote address in the conference.

In addition, the number of new dotmy domains registration has more than doubled to 5,321 last year from 2,312 in 1998, reflecting the growing interest in Internet usage.

"Underpinning the evolution of the K-economy is the rapid advancement and deployment of information technology, electronics network, the Internet, telecommunications, broadcasting and the media, and the convergence of all these, to bring in new ways, information and knowledge to the society at large," he said.

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