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EXECUTIVE COUNCILLOR RAYMOND K. F. CHI'EN SHOOTS FROM THE HIP ... AND MISSES THE MARK

The one constant in life is change.

The one constant in politics is change.

Executive Councillor Raymond K.F. Chi'en must be the personification of change in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) because, as a politician and chairman of a publicly listed company, he is able to change directions as often as a baby has his nappy changed.

Changing directions has to be among the most important, single attributes of any politician, of course, especially one who pays homage and owes allegiance to the Government of the People's Republic of China.

On August 7, amid widespread concern in the HKSAR as to the viability of many of the start-up, hi-tech and Internet-related companies, operating in the HKSAR and the Greater China Region, Executive Councillor Raymond K.F. Chi'en, wearing the hat of Chairman of Hongkong.com Corporation (Code: 8006, The Growth Enterprise Market -- The GEM) allayed the fears of the multitudes by stating, definitively, that the company that he chairs had no intentions of sacking any of its 1,900 employees.

He made the statement, following one dotcom company after another, announcing staff cutbacks -- and more and more former employees of these start-up companies hit the streets, looking for alternative employment.

On the day that Executive Councillor Raymond K.F. Chi'en made his pronouncements, Chinese Books Cyberstore (CBC), a private company, which had announced, about one week prior, that it was bust, told the world that, perhaps, all was not lost, after all, and that ITVentures of Australia might come to its aid with a cash injection of about $HK30 million.

ITVentures already owns 52 percent of CBC so that its offer was one of trying to save the CBC's bacon from being burnt to a crisp.

CBC had to let nearly 100 of its employees go since the company announced that it could not support such a number of employees, considering the shape of its finances -- or, should that read, the lack of finances?

Exactly, 11 days after Executive Councillor Raymond K. F. Chi'en's attempts to placate of the concerned masses, by stating that everybody's job was secure at Hongkong.com Corporation, his company announced that there had been a little change of plans ... and Management's attitude toward its employees.

The Company announced that about 10 staff members of Hongkong.com Corporation were to hit the streets, with another 37 employees to be transferred to the Chinadotcom Group (of Companies), the ultimate holding company of Hongkong.com Corporation.

Up to that point, a total of some 600 employees of various start-up and Internet-related companies had been let go in what must have been the most extensive pogrom of its kind in the living memory of most people of the HKSAR.

According to the official blurb from Hongkong.com Corporation, The GEM company was not short of money, having raised more than $HK1 billion in February, this year when it made its debut as a publicly listed company, but there was a need to streamline operations and to regain investor confidence.

Hongkong.com Corporation is a Chinese-language Internet provider.

It has yet to earn a penny in profits from its operations as a Chinese-language Internet provider.

In the last quarter, it admitted to losing about $HK5 million per month, but some of the losses were more than offset by interest income, derived from deposits, the result of the successful flotation at the beginning of the year.

Hongkong.com Corporation, staring at overheads which are slowly eating away at its deposits at the rate of $HK60 million, minimum, per annum, is hoping to turn a profit in a couple of years.

Time will tell whether or not it will be successful.

But it is a certainty that Executive Councillor Raymond K.F. Chi'en will be a little bit more circumspect before making rash pronouncements which, in the fullness of time, prove to be incorrect.

Whether his utterances were caused by innocent error, by design, by accident or due to being misled by the Management of the publicly listed company that he chairs, TARGET has no idea.

It is sufficient that that which he uttered on August 7, 2000 was incorrect and terribly misleading to the investing public.

One hopes that, as a high-ranking member of the small group of advisors that constitute the Executive Council of the HKSAR Government, he is more careful with his statements.

Shooting from the hip is rarely an accurate method of bringing down one's quarry.

The 600-odd technicians, computer programmers and what-have-you that got axed in the past few months from start-up companies and Internet-related companies, will, most likely, be the first of many more tranches of sackings to follow because, although it may sound trite, the Bottom Line is still important in the final analysis, as far as Management of companies is concerned.

It helps to buy the staples of life.

Belt-tightening will be a must for many companies, listed on The GEM, because, without belt-tightening, they will go to the wall, in due course.

Proof of this assertion was, recently, hammered home when publicly listed renren Media Ltd (Code: 59, formerly Ankor Group Ltd, which is listed on the Main Board of The Stock Exchange of Hongkong Ltd) announced that it was trimming off the fat from that company.

Not less than 102 jobs were lost on or about August 14 when renren Media announced its decision to sack about 37 percent of its staff of 270 workers.

renren Media is losing more than $HK6 million per month and needs to conserve the little money that it has left, even though it has the international powerhouse in the shape of News Corporation, Mr Rupert Murdoch's multi-trillion dollar group, as one of its principal backers.

Even Mr Li Ka Shing, the richest man in the HKSAR, had to let his GEM company, tom.com Ltd (Code: 9001), sack 80 of its workers.

Mr Li Ka Shing, one of the richest men in the world, did not achieve that status by being stupid when it comes to watching his pennies.

At the end of the day, the only GEM companies that will be left will be those which can create a recurrent earnings base.

Publicly listed companies, such as Phoenix Satellite Television Holdings Ltd (Code: 8002), Sunevision Holdings Ltd (Code: 8008), Henderson Cyber Ltd (Code: 8023) and AcrossAsia Mutltimedia Ltd (Code: 8061) are all quite likely to succeed in the long pull because they, all, have bases of recurrent income.

But, as for the rest of the GEM listings, all 43 of them, there must be a big question mark as to whether or not they will be around, this time next summer.

How many of them will be in the midst of financial restructuring?

What is more than likely to happen is that some enterprising entrepreneur(s) will start mopping up the financially weak companies on The GEM, saving their bacon, so to speak, and changing their business plans to something more logical and sensible -- and money-making.

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