

**THE HORSES HAVE GONE !
BUT THERE ARE
SO MANY HORSES ARSES STILL AROUND !!**

When a former Executive Director of The Securities and Futures Commission (SFC) talks, some members of the Press of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) seem to think that his utterances are newsworthy.

Mr Gerald McMahon, not too long ago, criticized what he called, 'the family company syndrome', claiming that this was one of the reasons that the HKSAR market's appetite for publicly listed scrip was, sadly, 0 lacking.

Nobody could successfully argue with Mr McMahon, hoping to win such a debate, when he states that there is a lack of confidence in the majority of HKSAR, publicly listed companies, quoted on The Stock Exchange of Hongkong Ltd, those that are not blue chips, that is.

He is correct: Spot on.

But it was The SFC which, by negligence or design, permitted, in the first instance, most of the publicly listed rubbish to find its way onto the floor of The Stock Exchange: It could, without any trouble at all, have put the curse of The SFC on any proposed new listing if it, objectively, felt that it was in the interests of the investing public to be protected; and, that politics and big money should not play a part in any SFC executive determination.

How many of the red chips, those rubbish companies which had little to no professional management, and little chance of lasting as viable corporate concerns for more than a couple of years, did The SFC give the green light to seek a listing on The Stock Exchange?

If there had been the slightest doubt about any of those red chips, all that The SFC had to do was to ask questions of senior management, *in finitus* – and that would have prevented those companies from 'raping' Mr Mug Investor.

As it is, now, all that the HKSAR can do is to look back and wonder how most of those red chips were permitted to issue and disseminate prospectuses to prospective investors, in the first place.

The following is a list of red chips, which went public since the 1993 flotation of the first of the bad, PRC bunch, Tsing Tao Brewery Company Ltd, and have, since going public, gone belly up ... or have come close to it:

Angang New Steel Company Ltd
China Eastern Airlines Corporation
China Shipping Development Company Ltd
China Southern Airlines Company Ltd
GITIC Enterprises Ltd
Jilin Chemical Industrial Company Ltd
Kunming Machine Tool Company Ltd
Nanjing Panda Electronic Company Ltd
Shougang Concord International Enterprises Company Ltd
Shanghai Petrochemical Company Ltd
Tianjin Bohai Chemical Industry (Group) Company Ltd

Of all the people in the HKSAR, Mr McMahon should shoulder some of the blame, along with his former crew in The SFC, for the permitting of the listing of many of the above-mentioned companies.

Blame could, also, be heaped on The Listing Committee of The Stock Exchange of Hongkong Ltd, no doubt, but it was – and still is – The SFC which had very wide executive powers (almost unfettered powers, in fact), and it failed to exercise the necessary prudence when it had the opportunity.

It is widely held that the reason that insider trading has never been considered a criminal offence in the HKSAR is that the Government of the PRC shoots insider traders.

If insider trading were criminalised, purchasing shares in a bullet-manufacturing company in the HKSAR, or the PRC, would be an intelligent move.

So, The SFC, in its wisdom, went just to the brink of the PRC 'river', without criminalising insider trading.

Mr Li Ka Shing, probably, still smarts from the public censure that he received at the hands of the former Hongkong Government since he had been labelled as being an insider trader – and he is the one person, in this little town, who should be setting an example for us, all, it could, reasonably, be held.

When Mr McMahon was in power in The SFC, he could have done a great deal more to bring professionalism into the stock market.

But he did not.

Not once did he make any move, which would endear him to those thousands of HKSAR investors who lost tens of millions of dollars due, in part if not in whole, to a lack of definitive action by The SFC.

This is not to suggest that tougher legislation is needed in the HKSAR in order to protect the innocent and the ignorant, far from it, but a simple little 'rule', such as making it mandatory that all prospective companies, wanting to be listed on The Stock Exchange of Hongkong Ltd, must demonstrate that there is an interest, shown by the investing public, in such a listing.

This rule, alone, would have gone a long way in keeping some of the riff-raff out.

Had this little rule been in place 6 years ago, it is unlikely that many of the red chips could have been listed in the HKSAR.

Another little 'rule' could have been that all publicly listed companies, which lose, say 20 percent of their Issued and Fully Paid-Up Capital plus Reserves, must inform all shareholders and creditors within 30 days of this situation, being made evident to Management.

(The last little ditty puts the onus of responsibility to report upon Management so that, in the event that such a rule were not followed, then criminal sanctions could be considered, subject to the Court's determination)

And still on this subject: For what reason did The SFC permit known criminals, who still consort with the underworld, to be directors of companies, listed on The Stock Exchange of Hongkong Ltd?

(There is no reason to name names, here, for everybody in the HKSAR knows which felon is an insider trader, having been incarcerated, some years ago, for offering a bribe)

No doubt, Mr McMahon is doing well, at this juncture in his life, since it is an almost guarantee that he is earning more money in private practice, as a consultant to certain companies, than the amount of remuneration that he received when he headed one of the most important seats in The SFC.

Mr McMahon is, by training, a barrister: One may only conjecture at the reason that he no longer practices law.

