

**PROSTEN TECHNOLOGY HOLDINGS LTD :
A FAMILY RUN COMPANY, RUNNING VERY WELL**

The Americans used to have an idiom that went along the lines that the family that prays together, stays together.

In the case of the latest listing on The GEM -- The Growth Enterprise Market -- of The Stock Exchange of Hongkong Ltd, this idiom has a special message -- because Prosten Technology Holdings Ltd is managed, completely, by the Yip Family -- Mr Yip Seng Mun (pater familias), Mr Yip Heon Ping, Mr Yip Heon Wai and Mr Yip Heon Keung.

In the case of this hi-tech Company, the arrangement, of having the Yip Family control the direction of the Group, seems to be working very nicely; and, there is every reason to believe that this modus operandi will continue to be a unifying force for the Company.

Unlike many companies of its ilk, going to the marketplace for some '*bread*', Prosten Technology has a record of making profits -- a very pleasant surprise.

The Company is Placing a total of 75 million new Shares of a 10-cent Par Value at a Premium of \$HK4.40 per share, raising a total of about \$HK316 million, net of expenses.

Prosten Technology is '*a broadband data networks and Internet backbone solutions provider. Its principal business includes the design and configuration of broadband data networks and Internet backbone in the PRC (People's Republic of China) using the latest technologies such as ATM/FR (Asynchronous Transfer Mode/Frame Relay) and IP (Internet Protocol).*' (Page One of the Prospectus)

It is raising money on The GEM for the following reasons:

1. \$HK67.50 million to be used for expanding the broadband data networks and Internet backbone solutions in Taiwan, the PRC, the Hongkong Special Administrative Region (HKSAR) of the PRC and the Macau Special Administrative Region (MSAR) of the PRC;
2. \$HK30 million to be used for software development;
3. \$HK91.50 million to be used to develop e-commerce platforms;
4. \$HK72 million to be used to buy some more hardware and software;
5. \$HK26 million to be used for advertising and promotional expenses;
6. \$HK13 million to be used for deployment of human resources; and,
7. \$HK16 million to be used to bolster the General Working Capital Account.

While the Company wants to get its hands on this not inconsiderable chunk of money, its business is, really, quite good ... and it is headed for a record Financial Year, ending March 31, 2000.

The following table, which is self-explanatory, is extracted directly from the Company's Prospectus at Page 66:

	Year Ended March 31		
	1998	1999	Six Months to September 30, 1999

	<i>All Figures Are Denominated in \$HK'000</i>		
Turnover	119,018	161,133	101,316
Cost of Sales	(84,010)	(117,041)	(70,101)
Gross Profit	35,008	44,092	31,215
Selling, General and Administrative Expenses	(25,771)	(25,462)	(15,255)
Other Revenue	317	529	454
Profit from Operating Activities	9,554	19,159	16,414
Financial Expenses	(1,099)	(1,663)	(708)
Profit Before Taxation	8,455	17,496	15,706
Taxation	(1,725)	(2,492)	(1,343)
Net Profit Attributable to Shareholders	6,730	15,004	14,363

For the Current Year, ending March 31, 2000, the Directors are forecasting a Net Profit of '*not less than HK\$30.0 million.*'

As for debt, the Company, as at January 31, 2000, had total indebtedness of about \$HK7.30 million -- which amounted to secured bank loans.

The History

The Yip Family started the business in April 1990 when it went into the business of trading in computer equipment and software, and the provision of system integration services.

In 1992, the Prospectus states, Prosten branched out into Internet backbone solutions -- the term '*backbone*' depicts part of a communications network intended and architected to carry the bulk of traffic. It provides connectivity between sub-networks in an enterprise-wide network. (Page 16)

The Family, and Prosten, never looked back since that date.

The Company is controlled by the 68-year old father of the Yips, Mr Yip Seng Mun, who, naturally, is the Chairman and who was, just as naturally, the Founder of the Group.

His son, Heon Ping, is 42 years old and is the General Manager, being in charge of overall sales and marketing.

Another son, Heon Wai, is in charge of corporate strategies and business development, and this gentleman's wife, Ms Gladys Chan Fu Keun, aged 37 years, is in charge of finance and administration.

Another son, Heon Keung, aged 31 years, is in charge of strategic alliances and business partners.

The fact that the Yips are running the show is good, in that it shows family unity of purpose.

But, if there should ever be a rift between the Yips, then the Company could fall apart.

This type of thing has happened only too frequently in the HKSAR corporate scene; it can tear a company asunder.

Further, a family run company rarely has very much in the way of objectivity, and the interests of the family may supercede the interests of non-family, minority shareholders.

Having said that, the record of the success of this Company is exceptional.

As at September 30, 1999, the Accountants' Report, at Page 127 of the Prospectus, shows Current Assets, standing at about \$HK65.76 million, with Current Liabilities, standing at about \$HK55.27 million.

With Net Current Assets of about \$HK10.49 million and with cash and bank balances of about \$HK7.71 million, it would indicate that the Yip Family keeps a very tight rein on the purse strings -- which is very good.

On the negative side of the ledger, however, one hopes that the Yip Family will stop, treating the Company as the 'Family Bank' ... [CLICK TO ORDER FULL ARTICLE](#)

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