

**OSK ASIA CORPORATION LTD :
NOT THE HOTTEST THING SINCE THE INVENTION OF FIRE**

OSK Asia Corporation Ltd (Code: 555), the newest company to seek a listing on The Stock Exchange of Hongkong Ltd, appears to be having a very rough time of it in trying to earn a crust from its traditional activities in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It has sold (or has had to sell) some of its crown jewels in order to dress up the Profit and Loss Account for the Current Financial Year, ending December 31, 2000.

This is TARGET's opinion after reading, carefully, the Prospectus of the Company, dated September 19, 2000.

This Company's shares will commence trading tomorrow, just 9 days after the Prospectus was published.

At Page 98 of the Prospectus, the Company states that, for the 3 months, May 1 to July 31, 2000, OSK Asia logged in a Net Profit Attributable to Shareholder of about \$HK17.89 million.

The composition of this profit is interesting in that \$HK16.40 million came from the realised surplus, thrown up on disposal of 3,003,500 shares in Hongkong Exchanges and Clearing Ltd (Code: 388) and an unrealised loss, amounting to about \$HK2.80 million, on the revaluation of investments in securities.

Since OSK Asia is a stockbrokerage house, principally, the above admission would tend to make one think that, for those 3 months, ended July 31, 2000, the Company made sweet bugger all from its traditional spheres of activity: Acting as a broker for third parties to purchase and sell securities.

Further, it is a fairly safe bet to speculate that the Company must be facing further losses in respect of its holding in listed investments which, as at April 30, 2000, were in the books of the Company at about \$HK28.76 million.

The Reason For 'Going Public'

OSK Asia pitched a total of 125 million, 10-cent shares at a Premium of 45 cents per share, with 18.75 million shares, being offered to the public, while the remaining 106.25 million shares were Placed.

The Company collected a total of \$HK68.75 million, gross, coming down to about \$HK57 million after deducting all expenses, associated with this flotation.

The money, raised in this exercise, is to be used as follows, the Prospectus states:

1. \$HK20 million for expansion of the Group's margin financing business;
2. \$HK15 million for investments in technology related areas;
3. \$HK10 million for developing the Group's corporate finance business and underwriting capabilities;
and,
4. \$HK12 million to be used for working capital.

The stated principal activities of this Company are *'the provision of a wide range of financial services including stockbroking, margin financing and option trading, corporate finance, research and asset management. Currently, the Group generates the major part of its revenue from its stockbroking and futures and options trading activities ...'* (Page One of the Prospectus)

During the past 40 months, this Company has not set the world on fire with its trading results as the following illustrates:

| | Financial Year ends December 31 | | | |
|---|---|----------------------|----------------------|------------------------------|
| | 1997 | 1998 | 1999 | First Quarter ended April 30 |
| | All Figures are Denominated in \$HK'000 | | | |
| <u>Composition of Turnover:</u> | 165,866 | 50,474 | 68,858 | 40,160 |
| Commission and Fee Income | 49,112 | 21,232 | 17,875 | 10,656 |
| Interest Income | <u>20,622</u> | <u>4,852</u> | <u>259</u> | <u>454</u> |
| Handling Fee Income | <u>235,600</u> | <u>76,558</u> | <u>86,992</u> | <u>51,270</u> |
| TOTAL | | | | |
| Realised Gain on Disposal of Investment in Securities | Nil | Nil | 4,102 | 5,541 |
| Unrealised Gain/(Loss) on Revaluation of Investment in Securities | (1,188) | Nil | 2,811 | (1,372) |
| Unrealised Gain on Revaluation of Investment in the shares of Hongkong Exchanges and Clearing Ltd (Code: 388) * | Nil | Nil | Nil | 10,246 |
| Sale of an Investment Property | 4,580 | Nil | Nil | Nil |
| Cost of Sale of an Investment Property | (3,800) | Nil | Nil | Nil |
| Other Revenue | 829 | 397 | 127 | 88 |
| Net Doubtful Debt Provision/Net Bad Debts Recovered | (33,821) | (2,522) | 10,528 | 2,403 |
| Commission Expense | (49,250) | (10,352) | (23,114) | (11,610) |
| Depreciation | (1,612) | (2,059) | (1,716) | (780) |
| Financing Costs | (21,063) | (3,944) | (2,483) | (2,571) |
| Staff Costs | (32,544) | (25,248) | (27,423) | (13,249) |
| Other Operating Expenses | (37,019) | (22,958) | (20,761) | (9,813) |
| Profit before Taxation | 60,712 | 9,872 | 29,063 | 30,153 |
| Taxation | (10,390) | (619) | (959) | (2,454) |
| Profit Attributable to Shareholders | 50,322 | 9,253 | 28,104 | 27,699 |

* Please note Paragraphs 6 and 7 on Page One of this analysis for subsequent events and the financial results of the sales of these shares.

For the Current Financial Year, at Page 14 of the Prospectus, it is ... [CLICK TO ORDER FULL ARTICLE](#)

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