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TONGDA GROUP HOLDINGS LTD :
CHRISTMAS CAME EARLY FOR SOME

Just before this company went public on The Stock Exchange of Hongkong Ltd, it paid out just about all of the cash in the kitty to the then directors.

Of course, the directors, who held most of the shares in the company, were all in the same family; and, they had absolute control of the enterprise, making the exercise quite kosher.

The company, to which TARGET is referring, is Tongda Group Holdings Ltd (Code: 698 – Main Board, The Stock Exchange of Hongkong Ltd).

This company is a manufacturer of ironware parts for electrical and electronic appliances, including metallic casings for personal computers, microwave ovens and audio and video equipment, decorative nameplates, crystal trademarks, membrane touch switches, household appliance control panels and carbon film fixed resistors. (Taken from the Company's Prospectus at Page One)

Tongda went public in the second week of December, with dealings in its shares, commencing on December 22, just 3 days before Christmas.

For the 4 principal Directors of the Company, however, Christmas came a little early since, among them, they shared about HK37 million of the Company's profits.

The Directors, to which TARGET is referring, were all brothers of the Wang/Wong Family:

1. Mr Wang Ya Nan, Chairman
2. Mr Wang Ya Hua, Vice Chairman
3. Mr Wong Ah Yu, Deputy General Manager
4. Mr Wong Ah Yeung, Deputy General Manager

The $HK37-million dividend payout was in respect of the first half of the 2000 Financial Year, ended December 31, 2000.

It represented about 108 percent of the Net Profits Attributable to Shareholders for the first half of the Financial Year, to June 30, 2000.

The records of this Company appear to indicate that the Wang Brothers have not been taking too much in the way of salaries and perquisites, of late, at least, not during the Financial Years, 1997, 1998, and 1999.

Instead, they appeared to have lived off the dividends, declared by Tongda – which means they paid themselves dividends.

This is a very smart move because, in accordance with the Inland Revenue Ordinance of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), there is no assessable tax on dividends, received by shareholders, whereas, one has to pay tax on salaries and a portion of perquisites/benefits, received from an employer.

All that is to change, however, because the Prospectus of Tongda states that, while the Wang Brothers got just $HK792,000 in total emoluments, during the 1999 Financial Year, it was raised to $HK1,296,000 for the 2000 Year.

And, for the 2001 Year, the 4 Wang Brothers will be receiving $HK3.58 million, at the very minimum.

In addition, Page 168 of the Prospectus states that there shall be a discretionary bonus for the 2001 Year, and that this discretionary bonus *'is provided to be the lower of (i) HK$7,000,000, or (ii) 15% of the audited consolidated or combined net profit of the Company (after taxation and minority interests but before extraordinary and exceptional items and payment of such bonuses).'*

So the Founding Family, even though they have given up part of their manufacturing empire to outsiders, will not go hungry.

The Share Offer

Tongda Placed 50 million, 10-cent shares at a Premium of 90 cents per share and Offered another tranche of 25 million shares on the same basis.
The net proceeds from the flotation, estimated to have been about $HK62 million ... **CLICK TO ORDER FULL ARTICLE**

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