

E-SILKROAD HOLDINGS LTD :
STICK TO SEX : IT'S A SAFER BET IN THE SATISFACTION STAKES

It is highly unlikely that the latest offering on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd will be the greatest thing since man discovered woman.

It could turn out to be one, big flop.

E-silkroad Holdings Ltd (Code: 8071) pitched its Prospectus, just on Monday, in an attempt to obtain about \$HK32.61 million, gross, coming down to about \$HK22.60 million, after all expenses.

It is good that the Company Placed the shares because, in targetnewspapers.com's opinion, the investing public, in its current complexion, may show a great deal of resistance to applying for shares in this Company, whose only tangible assets appear to be a couple of websites.

The Company claims to be engaged *'in the provision of trade show and exhibition services on the Internet in Hong Kong and Internet-based application and design services in Hong Kong and the PRC (the People's Republic of China) ...'*.

According to that which targetnewspapers.com viewed at the Company's Internet portal, www.expo24hrs.net, aside from the site, being poorly developed, with some icons, after being activated, either not responding at all, or responding, enigmatically, this site appears to be little more than an attempt to obtain advertising revenue from companies/entities, interested in participating in, or having already staged, exhibitions in the Hongkong Special Administrative Region (HKSAR) of the PRC.

There is nothing wrong with this idea, of course . if it works.

And that is the \$HK64,000 question, as the 1950's US television, quiz-show programme used to state.

E-silkroad is Placing a total of 130,456,000, 5-cent shares at the Premium of 20 cents per share, expecting to raise about \$HK22.60 million, net of expenses, at least.

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

1. \$HK3.10 million to purchase some fixed assets;
2. \$HK3 million 'for further development of operation hardware and software';
3. \$HK2 million for expansion overseas;
4. \$HK4 million for marketing and promotion; and,
5. \$HK12.50 million for Working Capital Purposes.

The Adjusted Net Tangible Asset Value per share will be between 3 cents and 3.60 cents, depending on whether or not an additional 19.56 million shares (an Over-Allotment Option, offered to the Underwriters) are taken up.

The calculation of the Adjusted Net Tangible Assets is given at Page 102 of the Prospectus as follows:

Audited Consolidated Net Tangible Assets of the Group, as at 31st October, 2000 \$HK 986,000
Unaudited Consolidated Results for the 2 months ended 31st December, 2000 (\$HK 4,002,000)
Estimated Net Proceeds of the Placing \$HK 22,600,000
TOTAL \$HK 19,584,000

To state that this is a small company is to state the obvious.

In case subscribers have not realised it, yet, this Company has never made a cracker in profits since it was founded in 1997.

The following is the track record for the past 34 months:

	Financial Year ends December 31		
	1998	1999	Ten Months to October 31, 2000
	All Figures are Denominated in \$HK'000		
Turnover	Nil	Nil	1,800
Cost of Sales	Nil	Nil	(2,129)
Gross Loss	Not Applicable	Not Applicable	(329)
Other Revenue	Nil	Nil	194
Selling and Distribution Expenses	Nil	Nil	(4,455)
General and Administrative Expenses	(90)	(350)	(8,576)
Research and Development Costs	(1,866)	(399)	(2,346)
Loss from Operating Activities	(1,956)	(749)	(15,512)
Finance Costs	Nil	Nil	(60)
Loss before Taxation	(1,956)	(749)	(15,572)
Taxation	Nil	Nil	Nil
Loss before Minority Interests	(1,956)	(749)	(15,572)
Minority Interests	Nil	Nil	69
Net Loss Attributable to Shareholders	(1,956)	(749)	(15,503)

For the full Financial Year, ended December 31, 2000, this Company must have lost not less than \$HK15,503,000 (stated in the Accountants' Report at Page 132 of the Prospectus) plus \$HK4,002,000, given at Page 102 of the Prospectus, as being the *'Unaudited Consolidated Result for the Two Months ended 31st December, 2000.'*

With accumulated Losses for the past 3 Financial Years of about \$HK22.21 million, and with the 2000 Financial Year, recording a Loss of not less than \$HK19.50 million, this Company is raising about \$HK22.60 million.

The Debts

According to Page 93 of the Prospectus, E-silkroad Holdings had *'outstanding borrowings of approximately \$(HK)7.2 million'*, as at December 31, 2000.

The borrowings comprised:

1. \$HK6.70 million in Unsecured Convertible Redeemable Notes;
2. \$HK0.40 million in obligations in respect of finance lease contracts; and,
3. \$HK0.10 million in an Unsecured Short-Term Loan.

After December 31, 2000, however, the Company borrowed an additional \$HK1.50 million in the form of a bank overdraft 'for use as working capital of the Group on 6th February, 2001'. (Page 93)

Reverting to the Accountants' Report, once more, contained at Page 137 of the Prospectus, it states, under Appendix I, that the Company had cash and cash equivalents of about \$HK3.64 million, as at October 31, 2000.

The logical conclusion, therefore, adding up all the facts, is that, in the past year or so, and in the past 4 months, especially, things got tighter and tighter, and tougher and tougher for the E-silkroad Holdings and, that goes double for Management, which must have had to scrounge round in order to find cash in order to pay the mounting bills as losses grew and grew.

This Company is headed by Mr Choi Koon Ming, said to be a Canadian of 32 years, having been appointed to head this Internet-portal operator on August 8, 2000.

The 52-year-old Founder of E-silkroad Holdings, Mr Yuen Fat Ching, has been relegated to the position of a simple Executive Director in charge of business development.

That kind of 'upward' hierarchical movement is what Dr Lawrence Peter would have termed, ... [CLICK TO ORDER FULL ARTICLE](#)

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