

**TUNGDA INNOVATIVE LIGHTING HOLDINGS LTD :  
A LIGHT FLICKERS AT THE MOUTH OF THE TUNNEL**

One could hardly call Tungda Innovative Lighting Holdings Ltd (Code: 8229, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) a success story, but it does appear that, after 9 years of failures – or near failures – the Company is breaking the mould.

Tungda Innovative went public on The GEM on July 19, 2002 when it Placed 222 million New, one-cent Shares at a Premium of 24 cents per share.

Chu Family members, headed by paterfamilias Chu Siu Chun, took that opportunity to unload 33 million of the Family's shares on the same bases as the Company's New Shares.

At the end of the day, therefore, Chu Family members took home \$HK8.25 million, gross, while Tungda Innovative netted about \$HK52.20 million.

This Company is engaged in the business of selling light bulbs, of one type or another, having been engaging in this business since 1993.

It was only when the Company started to engage in the sales of Compact Fluorescent Lamps, however, that things started to happen.

A Compact Fluorescent Lamp is designed to provide more light and less heat.

They convert up to 25 percent of the electricity into light, compared to incandescent lamps, which convert about 5 percent of the electricity into light, with the remainder of the electricity, generating heat.

The money, raised in this exercise, is to be used as follows, Page 95 of the Placing Prospectus states:

1. \$HK13 million for the enhancement of research and development;
2. \$HK10 million for promotional activities;
3. \$HK10 million for the establishment of sales and distribution networks in the People's Republic of China (PRC);
4. \$HK18 million to establish production facilities in the PRC; and,
5. \$HK1.20 million to be used as additional Working Capital.

For the past 24 months, to March 31, 2002, it would be difficult for Tungda Innovative to call itself a financial picture of steady growth, but, in the last Financial Year, the Company scored a bull's eye when its Bottom Line rose about 1,959 percent over the previous Year.

The following table is taken from Page 126 of the Prospectus:

	Financial Year ended March 31	
	2001	2002

	All Figures are Denominated in \$HK'000 (unless otherwise stated)	
Turnover	41,890	152,918
Cost of Sales	(35,271)	(109,635)
Gross Profit	6,619	43,283
Gross Profit Margin*	15.80 percent	28.30 percent
Other Revenue	4	8
Distribution Costs	(652)	(896)
Administrative Expenses	(3,434)	(6,038)
Profit from Operations	2,537	36,357
Financing Costs	(539)	(550)
Profit before Taxation	1,998	35,807
Taxation	(460)	(4,100)
Net Profit Attributable to Shareholders	1,538	31,707

\* TARGET's calculation

A breakdown of the Turnover, by product, for the 2 Financial Years gives a very clear picture of what transpired in the 2002 Year.

It is shown at Page 51 of the Prospectus:

### **Analysis of Turnover by Product**

	Financial Year ended March 31			
	2001		2002	
	\$HK'000	Percent	\$HK'000	Percent
Induction lamps	Nil	Nil	26,069	17.00
Compact Fluorescent Lamps	35,041	83.70	113,782	74.40
Halogen Lamps	1,965	4.70	5,393	3.50
High Intensity Discharge Lamps	594	1.40	1,720	1.10
Fluorescent Lamps	1,810	4.30	1,883	1.30
Incandescent Lamps	972	2.30	726	0.50
Other Lighting Accessories	1,508	3.60	3,345	2.20
TOTAL	41,890	100.00	152,918	100.00

It is only too apparent that, with the advent of sales of Compact Fluorescent Lamps came large profits.

### **The History**

Tungda Industrial Ltd, the Ultimate Holding Company of Tungda Innovative, was established by Mr Chu Chien Tung and his father, Mr Chu Siu Chun, in April 1984.

At that time, this company engaged in the trading of textiles and knitted products ... [CLICK TO ORDER FULL ARTICLE](#)

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