

**WING SHING CHEMICAL HOLDINGS LTD :
AN UNLIKELY FUTURE SUCCESS STORY**

Considering the Turnover of Wing Shing Chemical Holdings Ltd for the Financial Year, ended March 31, 2002, at about \$HK197.93 million, the debt load of this paint-manufacturing company, at about \$HK70.29 million, appears to be a little top heavy.

Wing Shing Chemical went public on the Main Board of The Stock Exchange of Hongkong Ltd on October 31, 2002, when it Offered 10.20 million, one-cent Shares at a Premium of 49 cents per Share and Placed another tranche of 51 million, one-cent Shares on the same basis as the Offered Shares.

The Company raised a net of about \$HK23.10 million, but not a penny of the proceeds from the flotation was earmarked to reduce the Company's debts.

Page 74 of the Company's Prospectus tells prospective investors as to the structure of the Company's indebtedness:

Bank Borrowings:

Secured Trust Receipt Loans	\$HK27,957,000
Secured Bank Overdrafts	\$HK 3,203,000
Secured Long-Term Bank Loans	\$HK17,208,000
Unsecured Long-Term Bank Loan	\$HK 599,000

Obligations

Finance Leases	<u>\$HK 2,276,000</u>
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TOTAL	<u>\$HK51,243,000</u>
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That is not everything, however, because, at Page 149 of the Prospectus, it is stated:

'Subsequent to 31st March, 2002 and up to the date of this report, the Group obtained additional banking facilities of HK\$19,047,000.'

Totally, therefore, Wing Shing Chemical owed about \$HK70.29 million, as at October 31, 2002, which is equivalent to about 35.51 percent of the 2001-Year's Turnover.

At this point, one might like to ask the questions:

1. For what reason would a company, one with a Turnover of about \$HK197.93 million, require an unsecured, long-term loan of just \$HK599,000, instead of lumping it into the overdraft account?
2. For what reason would a company, seeking a listing on a recognised stock market, have to go, cap in hand, to obtain more bank financing – just about at the time of the flotation?
3. In view of the fact that the Company required more cash – which must be accepted otherwise there would have been no reason for the begging bowl to have been passed round – for what

reason did not Management of Wing Shing Chemical use some of the proceeds from the flotation to reduce debt?

4. Lastly, for what reason was a Dividend of about \$HK49.43 million, paid out in the 2001 Financial Year (ended March 31, 2001), when it should have been apparent that this cash would be needed within a relatively short period of time?

Other questions, also, could be asked of this Company's Management, and the one nagging question for this medium relates to the fact that the Chairman, Mr Poon Sum, and his elder brother, Mr Poon Sau Tin, cashed in some of their Wing Shing Chemical 'chips' by Placing 40.80 million of their shares at the time of the flotation on The Stock Exchange of Hongkong Ltd.

So, the 2 Poon Family members walked away with about \$HK20.40 million, gross – while Wing Shing Chemical had to go back to its bankers for some more bridge financing in spite of the fact that the Company's coffers had just been swollen by about \$HK23.10 million, thanks to the successful float.

A possible answer to this seeming conundrum could be that the 2 Poon Family members could not Place their shares, at all, and so, in order to make this flotation look respectable, in the eyes of the investing public and the peers of the Poons, they availed themselves of the 'services' of some friends, who agreed to take up the Share Placements, for one reason or another.

The 2 Poon Brothers continue to hold, in aggregate, about 59.67 percent of the Issued and Fully Paid-Up Share Capital of this Company, however.

On an aside, Mr Poon Sau Tin and his family have, recently, emigrated to Canada where, presumably, they will be living from now on.

Mr Poon Sau Tin is not, now, and shall not be in the future, involved in the affairs of Wing Shing Chemical, the Prospectus states at Page 71.

The Financials

Wing Shing Chemical was founded in March 1987 by the 2 Poon Brothers.

The aims and objects of the Company have always been to manufacture and to sell paints and blended solvents.

For the 3 Financial Years, ended March 31, 2002, the Company has done quite nicely, albeit in a rather modest way, which is the hallmark of many Chinese family companies ... [CLICK TO ORDER FULL ARTICLE](#)

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