

**KWANG SUNG ELECTRONICS HONGKONG COMPANY LTD:  
STRANGE THINGS ARE HAPPENING IN THIS COMPANY**

It is only too apparent that publicly listed Kwang Sung Electronics Hongkong Company Ltd (Code: 2310, Main Board, The Stock Exchange of Hongkong Ltd) had an explosion of orders, within just a few short months of the end of the 2002 Financial Year – and just months before it pitched its story to prospective investors with a view to seeking a listing on the Main Board of The Stock Exchange of Hongkong Ltd.

Kwang Sung Electronics is in the business of producing, what it describes at Page 47 of its June 24, 2003 Placing and Offer Prospectus, as being *‘essential and basic components for radio frequency circuits, which are used in radio frequency receiving equipment, such as AV receivers (audio-video receivers) and cordless telephones.’*

On a 2002 Turnover of about \$HK396.96 million, this Company booked Current Trade Receivables (those are Trade Receivables of less than one month in duration) of about \$HK52.41 million.

This was an increase of about 80 percent, compared with the same category of Trade Receivables, recorded as at the end of the 2001 Financial Year.

It would appear, therefore, that the Turnover for the Financial Year, ended December 31, 2002, increased by the amount of \$HK52.41 million, just before the books of the Company closed.

Without that explosion of orders within one month of the end of the Year, the Turnover would, most likely, have been reduced to about \$HK344.55 million.

Normally, the Christmas season is the quietest time of the year for manufacturers, but, it appears, not so for this Company.

This is not the first time for **TARGET** to have noted that, just before a company goes public in the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), strange and unexplained things start to happen.

Coincidental?

Perhaps ... but unlikely.

**The Flotation**

Kwang Sung Electronics Placed 51 million, New, 10-cent Shares at a Premium of \$HK1.20 per Share and it, also, Offered another tranche of 9 million New, 10-cent Shares on the same basis as the Placed Shares.

Mr Yang Jai Sung, the Chairman and Controlling Shareholder of this Company, sold 30 million of his shareholdings, also, at \$HK1.30 per Share, at the time of this flotation.

The Company netted \$HK68 million from this float, that money to be used for the following purposes, it is stated at Page 104:

1. \$HK20 million *'for the upgrading of production facilities, the expansion of production capacity and research and development capability in the PRC'*;
2. \$HK15 million *'for the setting up of a research and development centre in Korea'*;
3. \$HK20 million *'for future acquisitions which will create synergies'*; and,
4. \$HK13 million to be tipped into the General Working Capital Account.

While the above *'Use of Proceeds'* seems reasonable enough, a study of the Prospectus indicates that all of the above could have been easily financed through internal resources, while some of the proposed uses of the extra cash are, completely, unnecessary, as will become evident, later on in this analysis.

This Company, as at the April 30, 2003, had zero debt. (Page 88 of the Prospectus)

In fact, Kwang Sung Electronics ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,  
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*