

**SHINE SCIENCE AND TECHNOLOGY (HOLDINGS) LTD:
THIS COMPANY IS UNLIKELY TO REPEAT
ITS PERFORMANCE OF THE 2002 YEAR**

The reason that the company did not have to incur any external debt from traditional sources (banks, etc) and was able to achieve its rather spectacular performance, during the past few years, was because the Controlling Shareholder caused a quartet of investors to lend money to it, via the instrument of Convertible Notes, and, in addition, the salaries and allowances of the Executive Directors were kept to an absolute pittance.

The Company is Shine Science and Technology (Holdings) Ltd, which went public on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd on August 4, 2003, being awarded Code Number 8270.

Pages 78 to 80 of the Placing Prospectus describes the terms and conditions of the Convertible Notes that were issued by Shine Science and Technology (BVI) Company Ltd, a wholly owned subsidiary of Shine Science and Technology (Holdings), on July 19, 2002 to 4 Independent Third Parties.

These Independent Third Parties were:

Solution Pacific Ltd	\$HK4 million
Melco Services Ltd	\$HK4 million
China Point Securities Ltd	\$HK3 million
Snow Hill Developments Ltd	<u>\$HK3 million</u>
TOTAL : <u>\$HK14 MILLION</u>	

The Convertible Notes bore interest at the rate of 8 percent per annum.

On June 18, 2003, however, each of the Subscribers to the Convertible Notes exercised their rights and converted the Notes into Ordinary Shares of Shine Science and Technology (Holdings), with the exception of Melco Services Ltd, which company sold its \$HK4-million worth of Notes to Best Target Securities Ltd, another Independent Third Party, which, subsequently, also converted the Notes into Ordinary Shares of Shine Science and Technology (Holdings).

Had it not been for the issuance of those Convertible Notes and their subsequent conversion into Ordinary Shares, Shine Science and Technology (Holdings), no doubt, would have had to find other methods of financing its operations – and that would have meant the requirement for debt service to be part of the Consolidated Profit and Loss Account.

Further, during that year, that is, between the date of the issuance of the Convertible Notes and June 18, 2003, the Executive Directors took only 760,000 renminbi (about \$HK717,000) in salaries and allowances.

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