

# TARGET

## Intelligence Report

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W E D N E S D A Y

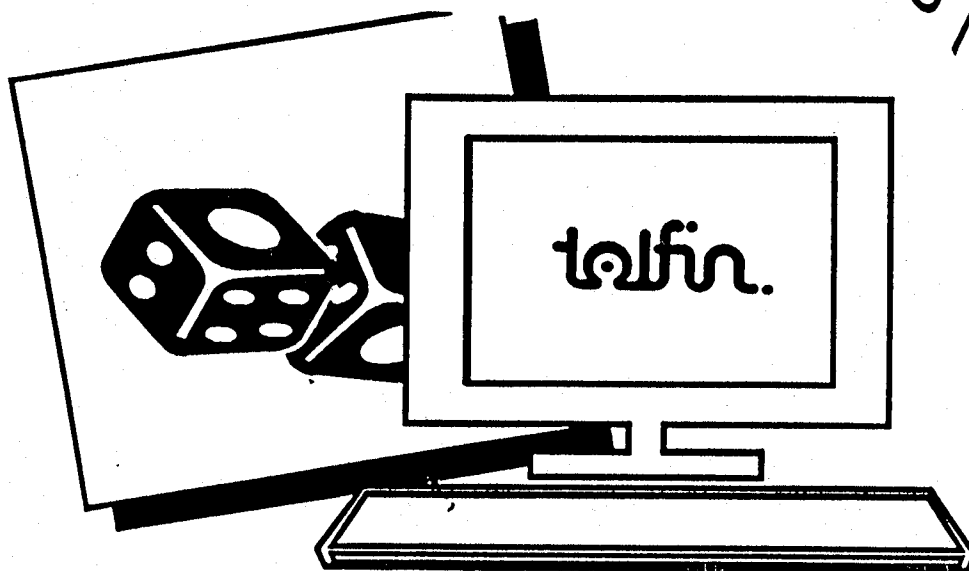
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# Keng Fong Sin Kee

## Construction and Investment Company Ltd

### *A Shadow of Its Former Self*

**S**hareholders of Keng Fong Sin Kee Construction and Investment Company Ltd appear to have plenty of good reasons to complain of the way in which their Company is being managed.

The last time that the shareholders received a dividend from the Company was in 1983, and the chance of receiving a dividend after a full decade is doubtful, if not impossible.

Keng Fong Sin Kee has had one of the worst performance records in Hongkong's corporate history. With the exception of the 1988 Financial Year, it reported losses in each of the last 9 Financial Years up to March 31, 1992.

Keng Fong Sin Kee is about to release its 1993 Operating Results which, most likely, will show another Year of losses.

As at March 31, 1992, the

Group's Accumulated Losses ballooned to \$HK142.40 million, while Shareholders' Funds fell to \$HK35.50 million.

This compares with Retained Earnings and Shareholders' Funds of \$HK7 million and \$HK200 million, respectively, at the end of the 1983 Financial Year.

In May 1992, the Company carried out a Capital Restructuring exercise to reduce its Issued Share Capital and Accumulated Losses. The Company's Consolidated Accumulated Losses stood at about \$HK18 million as at September 30, 1992.

Keng Fong Sin Kee was incorporated in 1965 to carry on the business of building construction and land development founded by Mr Kong Tak Yan in 1952.

Mr Kong headed Keng Fong Sin Kee for more than 2 decades

before his death from cancer in 1988.

Since his demise, the Company has been under the control of members of the Kong Family, with Mr Kong's son-in-law, Mr Johnny N.C. Lee, heading the Board of Directors.

Despite its name, Keng Fong Sin Kee has undertaken very little construction work in Hongkong during the last 6 years.

The death of Mr Kong Tak Yan seems to have immobilised the Group's Construction Division.

In recent years, Keng Fong Sin Kee has not been able to capitalise on the buoyant property market in Hongkong and in the People's Republic of China.

This is so, because the Company has devoted much of its resources to property-development projects elsewhere -- in recession-plagued North America and in Malaysia.

In the last 3 Years, the Group participated in various property projects in Vancouver. It would appear that the Group has been able to sell most of the units in the completed projects, but unable to make any profits.

According to the 1993 Interim Report dated January 31, 1993, the last phase of a property project in Vancouver, known as the Vancouver Ladner Pointe Project, has been completed and about 90 percent of all units in the development have been sold.

For the 6-month period ended September 30, 1992 (the first half of the last Financial Year), Keng Fong Sin Kee posted a Net Loss of \$HK2.48 million, compared with a Net Loss of \$HK2.07 million for the like period in 1991.

It is not clear if the Vancouver project has made any positive contributions to the Group's Profit and Loss Account.

According to the 1993 Interim Report, a property project is being undertaken in Kuala Lumpur, Malaysia. Shareholders are kept in the dark as to the details of this development.

Recently, Mr Chan Heng

Fai has been appointed as Executive Director of the Company for a period of 5 years.


Mr Chan is said to have, as the 1993 Interim Report puts it, 'many years of experience and expertise especially in the field of financial and investment management'.

Chairman Lee, said that he expected Mr Chan's appointment 'will greatly help the Company to expand internationally'.

As indicated in the 1993 Interim Report, Chairman Lee owned approximately 3 percent of Keng Fong Sin Kee's Issued Share Capital, while members of the Kong Family collectively held 9 percent.

Keng Fong Sin Kee made a Share Placement in August 1992, raising net proceeds of \$HK7 million through an issue of 13.50 million new shares at a price of 38 cents each.

Despite the appalling performance of Keng Fong Sin Kee, the Company is seen to be a suitable candidate for a back-door listing by PRC enterprises.

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At the going rate, the 'shell' of a listed company, alone, is said to be worth \$HK150 million. This translates into approximately \$HK1 per share in Keng Fong Sin Kee.

Apart from this, the Group's assets, adjusted for liabilities, are worth in excess of 25 cents per share.

Keng Fong Sin Kee is a building contractor with a long history, and, that being the case, the Company should appeal to those who intend to establish a position in Hongkong's building industry.

Last Friday, the share price of Keng Fong Sin Kee closed at 77 cents.

Thus far this year, the share price has fluctuated within a price range of 37 cents and 82 cents.

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