

CHING HING (HOLDINGS) LTD :
THIS IS THE TYPE OF COMPANY THAT MADE THE OLD HONGKONG

It's a solid little company, engaged in what used to be the *'bread and butter'* of the old Hongkong (before the Government of the People's Republic of China (PRC) assumed sovereignty over the 416 square miles and changed its name to The Hongkong Special Administrative Region (HKSAR)).

As such, it is unlikely to be the most sought-after counter, listed on The Stock Exchange of Hongkong Ltd – which is a pity, all things considered.

Nevertheless, it is difficult to find fault with the latest offering on The Stock Exchange: Ching Hing (Holdings) Ltd.

This Company is offering 25 million New Shares and is Placing an equal number of shares in an effort to raise \$HK55 million, gross, coming down to \$HK44 million, after all expenses have been calculated.

The reason that the beneficial controllers of this fabric dyeing, printing and finishing Company should want to lash out about 20 percent of the Gross Proceeds of this cash-raising exercise confounds TARGET because there appears to be no valid reason for the Company to seek a listing, in the first place, and little reason that it should have to part with such a huge chunk of change just for the sake of saying that it is a publicly listed company.

The Net Proceeds of this Issue are earmarked as follows:

1. \$HK27 million to purchase additional machinery;
2. \$HK5 million to expand sales; and,
3. \$HK12 million to be tipped in the General Working Capital Account.

However, it is noted that, as at June 30, 1999, Ching Hing had about \$HK30.59 million in cash and bank balances with trade and bills receivables, amounting to nearly \$HK48 million.

Against this, as at November 30, 1999, the Company had total outstanding borrowings of about \$HK23.90 million. These comprised:

1. Trust Receipt Loans ----- \$HK3.70 million;
2. Bank Loans ----- \$HK17.70 million; and
3. Financial Institution Loan ----- \$HK2.50 million.

For a Company, whose Net Profits for the past 4 Financial Years have seen a growth of about 337 percent, with the 1999 Year, ended December 31, known to have been at a record level, the above indebtedness must be considered not only completely manageable, but an indication of extreme frugality and conservatism on the part of Management.

The following is a table, setting out Ching Hing's financial results since 1996:

	Financial Year, ended December 31			
	1996	1997	1998	Six Months to June 30, 1999
	<i>(All Figures Are Denominated in \$HK'000)</i>			
Turnover	125,330	158,484	182,894	93,954
Profit Before Taxation	11,540	30,285	41,092	25,056

Taxation	2,609	3,955	6,244	4,351
Profit After Taxation	8,931	26,330	34,848	20,705
Profit Attributable to Shareholders	9,163	26,998	34,848	20,705

As is only too clear from the above table, this Company has done exceedingly well, even though the Asian Financial Crisis took its toll of lesser companies, in similar fields of endeavour, during the years 1997 through to even today, in some cases.

Page 95 of the Prospectus of Ching Hing indicates that Gross Profit Margins have increased dramatically since the 1996 Year, from 29.10 percent in 1996, to 39.46 percent in 1997, to 38.45 percent in 1998.

For the last Financial Year, ended December 31, 1999, the final figures are not given, but, on annualisation (the first 6 months figures, to June 30, 1999, are stated, however), it would appear that the Gross Profit Margin should be close to 44 percent.

Which is all very amazing stuff!... [CLICK TO ORDER FULL ARTICLE](#)

