

**PNF FOOD HOLDINGS LTD :
CLEARLY, A GOOD COMPANY AND,
CLEARLY, IT WILL NOT BE A HOT ISSUE**

The chances of PNF Food Holdings Ltd becoming a hot issue on The Stock Exchange of Hongkong Ltd is about 10 million-to-one, but this is a bit of a pity because, on paper, it appears to be a very reasonably run company with a very reasonable track record.

Unlike most high technology companies of today, this Company has been earning profits, year, after year, after year.

The trouble with it is that it is not involved in the hi-tech industry, which is so popular these days: It is, in essence, a *'bread-and-butter'* company, engaged in the production and sales of instant food products, nearly all of which are sold in the People's Republic of China (PRC).

The Company was founded in 1990 by Messrs Li Han Rong, Li Han Chao and Wei Quing Wen who, together, founded Guangxi Nan Fang Children Food Factory in the PRC.

Today, PNF Food Holdings employs about 1,024 workers, with all but 6 of these workers, gainfully employed in the PRC.

The Company is seeking to issue 12.50 million New Shares and Place another tranche of 50 million New Shares in order to bring in to the Company \$HK50 million, gross, coming down to about \$HK38 million, net, after taking into account the high costs of going public on The Stock Exchange of Hongkong Ltd (24 percent in this case).

The Offer Price of 80 cents per share is about 44.80 cents over the Adjusted Net Tangible Asset Value Per Share, and that is after taking into account the estimated net proceeds from this cash-raising exercise.

The net proceeds from this float are earmarked to be utilised as follows, the Prospectus at Page 87 states:

1. \$HK15 million to finance expansion plans, to include the purchase of new machinery and a new computer system;
2. \$HK11 million to boost the sales and marketing departments of the Company;
3. \$HK3 million for research and development; and,
4. \$HK9 million to be tipped into the General Working Capital Account.

With regard to the last-mentioned item, TARGET notes, at Page 114 of the Prospectus, it is stated that, as at June 30, 1999, the Company had cash and bank balances of about \$HK14.70 million, with another \$HK24.41 million, being amounts due from a related party and accounts receivable.

To say that this Company was solid would be a waste of words because it is only too clear that Management is extremely careful with how it spends its money and where it spends it.

A good example of this fact is that the Total Indebtedness of PNF Food Holdings, as at October 31, 1999, was about \$HK10.10 million, all of which was unsecured short-term bank loans.

For a Company with a Total Turnover, which is approaching \$HK200 million per year, it is unusual to find it not having long-term debt.

The following table of financial information about this Company is extracted from data, taken from the Prospectus:

	Financial Year Ended December 31			
	1996	1997	1998	Six Months To June 20, 1999
	<i>(All Figures Are Denominated in \$HK'000)</i>			
Turnover	202,132	178,821	184,497	81,059
Cost of Sales	139,292	112,772	117,040	51,495
Gross Profit	62,840	66,049	67,457	29,564
Other Revenue*	552	313	756	331
Distributional Expenses	25,839	21,641	18,857	7,228
General and Administrative Expenses	9,202	13,696	7,210	5,380
Profit From Operations	28,351	31,025	42,146	17,287
Finance Costs	534	314	364	155
Profit Before Taxation and Minority Interests	27,817	30,711	41,782	17,132
Taxation	412	5,298	7,622	3,205
Profit Before Minority Interests	27,405	25,413	34,160	CLICK TO ORDER FULL ARTICLE